Annual Financial Report

2022

CSG
CZECHOSLOVAK GROUP

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CZECHOSLOVAK GROUP

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Focused on precision

For a watch to show the time accurately for decades, it is necessary the precision work of watchmakers who assemble piece by piece PRIM watches at ELTON hodinářská.

Opening Statement

Dear Readers,

you are looking at the 2022 Annual Report, which shows a significant shift in the CZECHOSLOVAK GROUP and the Czech industry as a whole. The main event of the past year for CSG, and one of the most important events in Czech business in general, was the acquisition of a 70% interest in the Fiocchi Group, the world's third most important manufacturer of small-calibre ammunition. The Italian family-owned company, established in 1876, has production facilities not only in the country where it was founded but also in the United Kingdom and the USA. The acquisition will increase the Group's EBITDA by several billion a year in the future. This acquisition shows that Czech entrepreneurs are becoming world leaders and that they can acquire global companies.

However, the purchase of the majority of Fiocchi's shares should not overshadow CSG's other successes over the past year. DAKO-CZ, a manufacturer of railway braking systems from Třemošnice, surpassed the two-billion-crown mark in sales for the first time and opened two production plants in India with local partners. As an environmentally friendly means of mass transportation for products and people, rail is set for huge growth worldwide and we are pleased to be able to participate in this process thanks to DAKO-CZ.

EXCALIBUR INTERNATIONAL, our sales agency with a global presence, has won contracts in the Southeast Asia region with a volume close to one billion euros. Equally important as the financial volume is the fact that this is a supply of complex and technologically advanced defence systems, in which the Czech industry is the final integrator.

In my opening statement, I can never forget to mention the TATRA TRUCKS car company, which we own together with the PROMET GROUP holding. Tatra increased production and sales again in 2022, with sales exceeding seven billion crowns, which is ten percent above the plan. This year, its production is expected to increase substantially.

Due to the geopolitical situation, the importance of the defence industry, in which CSG has a strong position at the Czech and European levels, has increased sharply. The production of our companies focused on ground equipment and ammunition is sold out for several years in advance. We need to invest in new facilities, technologies and, most importantly, to attract skilled people to develop and manufacture products that are strategically important for European security. The deterioration in the security situation has also had a positive effect: the Czech Republic and the whole of Europe have realised how important the defence industry is, and that it needs a strong energy sector and access to raw materials to exist.

We believe in the European industry, so we are not losing our willingness to invest in it. In the case of Fiocchi, we have proven that we can bid for top companies in high-income NATO and EU countries. Such an acquisition will certainly not be the last one in CSG's history; I can reveal that we are working on several other interesting investment opportunities.

We are facing a number of challenges: inflation, especially in energy prices, or delays in the supply chain. I am convinced that through hard work we can overcome all the difficulties facing the Czech and European economies. CSG demonstrates the resilience and adaptability of the Czech and European industries.

A significant company, which is what we have undoubtedly become, must behave responsibly and support meaningful activities. Last year, we provided major support for research and the ongoing search for a cure for acute leukaemia at the Institute of Haematology and Blood Transfusion in Prague. I believe that every vicious enemy, such as cancer, can be fought against and eventually defeated. It is all about choosing the right strategy and working hard to make it work.

Despite all the challenges, 2022 was the best year in CSG's history. I would like to thank all my colleagues and employees who contributed to this result. Let's do everything we can to make 2023 even better. CSG has what it takes to be a leader not only in the Czech and Slovak industries but also elsewhere in Europe.

Michal Strnad
Owner

CZECHOSLOVAK GROUP

Group Profile

CZECHOSLOVAK GROUP a. s. (hereinafter "CZECHOSLOVAK GROUP", "CSG" or the "Issuer") is a global holding company whose companies are primarily manufacturing, development and commercial entities (the "CSG Group"). The holding companies are based in the Czech Republic, Italy, Slovakia, Spain, the United Kingdom, the United States and other countries. It is one of the largest family-owned companies in the Czech Republic as ranked by Forbes.

The strategy of the CSG Group is to develop, in the long-term, the companies that are part of the Group and operate in the industries that the CSG Group treats as its key sectors (aerospace, automotive, defence and railway industry). The CSG Group is ready to invest and make new acquisitions primarily in large and significant companies, or family firms without a successor that offer interesting products and a skilful team of employees. CSG Group's growing strength and ambitions are demonstrated by the acquisition of Fiocchi, the world's leading small-calibre ammunition manufacturer, in 2022.

The CSG Group places great emphasis on the development in the export potential. For this purpose, several specialised business agencies with worldwide reach operate within the CSG Group, e.g. EXCALIBUR INTERNATIONAL, which has won and is delivering major contracts in Southeast Asia involving a number of other members of the holding company. Another export instrument is the partnership with leading European and global players in the relevant industries, for example with GDELS and Nexter Systems in the manufacturing of special vehicles, or with IAI and Rafael in the radar and air defence systems sector.

The CSG Group has been putting an increasing emphasis on ESG activities. For example, TATRA TRUCKS is developing several types of alternative fuel engines for heavy off-road vehicles. CSG and other CSG Group companies are involved in supporting culture, sports, education, and healthcare. One important example is the support for research regarding medication for acute leukaemia at the Institute of Hematology and Blood Transfusion in Prague, a leading Czech hospital and research institution. All entities make gradual energy savings and implement measures aiming at waste reduction.

Entities in the CSG Group and joint ventures and associates in the Czech Republic, Slovakia and other European countries employ more than 10,000 people developing and manufacturing products with high added value. In addition, numerous companies are linked to the CSG Group in the supply chain. The analysis of EY performed on a case study of an order in the special vehicles sector has shown that CZK 1 invested in a project in the CSG Group multiplies three times in the suppliers; similarly, one job in the CSG Group provides for two jobs in the suppliers.

History of the CSG Group

The history of CSG began in 1995, when EXCALIBUR ARMY spol. s r.o., (hereinafter "EXCALIBUR ARMY") was formed focusing on trading with redundant technology and material that were discarded and sold in tenders organised by the Czech Army and other NATO armies. The founder and owner was the Czech businessman Jaroslav Strnad. To be able to repair and add value to the acquired technology, he decided to invest in his own manufacturing and maintenance. For this purpose, he purchased the premises of a bankrupt military repair company in Přelouč. In 2008, Jaroslav Strnad started to run business in Slovakia by a capital investment in MSM Martin and gradually acquired several state-owned enterprises for a long-term lease from the Ministry of Defence of the Slovak Republic. He managed to gain orders for all his companies and consequently contributed to maintaining strategic manufacturing capabilities and qualified jobs.

Another line of business of Jaroslav Strnad was the railway industry: in 2010 he therefore purchased the investments of a group of shareholders of DAKO-CZ in Třemošnice, located in the east of the Czech Republic, which is a globally significant manufacturer of brake systems and components for rolling stock.

A decisive step in the development of the Group was the acquisition of a majority shareholding in the Tatra car manufacturer that he acquired together with a minority shareholder René Matera in 2013. The traditional Czech manufacturer of heavy off-road chassis was in a precarious state; however, already during 2013 the entity managed to renew manufacturing, get orders and return the company to profitability. Another important acquisition in that year was the purchase of military repair plant in Šternberk for which the state had no use. Likewise, it managed to get export orders and gradually increase the number of employees. Currently, the Šternberk plant is a key manufacturing operation of EXCALIBUR ARMY and one of the most significant manufacturers of special land vehicles in the Czech Republic.

The year 2014 saw an origination of the Group's holding structure. At first, its name was EXCALIBUR GROUP, and it was renamed to CZECHOSLOVAK GROUP in 2016. The new name better described the territorial dimension of the group and, at the same time, it symbolised continuation of the MADE IN CZECHOSLOVAKIA brand on export markets. In 2016, the founder Jaroslav Strnad's son Michal started to work as the chairman of the Board of Directors. He had been gaining experience in the management of various parts of the Group for several years.

With Michal Strnad at the helm, the Company saw its biggest expansion in 2016. Thanks to acquisitions of aircraft repair shops JOB AIR Technic, radar manufacturer RETIA and ELTON hodinářská, which manufactures PRIM watches, CZECHOSLOVAK GROUP became the most active investor in the Czech Republic. In addition to investments in the existing companies, CSG formed TATRA DEFENCE VEHICLE (greenfield investment) which has manufactured TITUS and Pandur wheeled armoured vehicles in Kopřivnice next door to the Tatra car manufacturer. New members were also acquired by CSG in 2017 when the CSG Group expanded to include the CS SOFT, developer of air traffic control systems, and radar manufacturer ELDIS Pardubice.

The year 2018 saw a generational change in the owners. Jaroslav Strnad transferred CZECHOSLOVAK GROUP to his son Michal and started the project of building a new industrial group CE Industries focused on the energy sector, food industry, recycling and railway industry.

Another important event was the formation of the CSG Aerospace division, a sub-holding that grouped together companies engaged in the aviation industry. Its members are, among others, radar companies ELDIS and RETIA, developers of air traffic control systems CS SOFT and ATRAK and aircraft repair companies JOB AIR Technic.

In 2019, the Company made profitable acquisitions outside the key business lines of the CSG Group: it acquired the group of car showrooms Hyundai and Mazda and Skyport operating in aviation logistics. Another acquisition was made in 2020 when CSG Group acquired the first company in Western Europe: Spanish ammunition manufacturer FMG which was purchased from the General Dynamics European Land Systems group with an approval of the Spanish government. The company also made divestments: the Skyport company was sold in 2020 and a group of car showrooms was sold in 2021. On the other hand, the CSG Group expanded in 2021 to include a member with business activities outside the traditional pillars – Prague Fertility Center clinic.

In 2022, the CSG Group completed its most significant investment project to date when it acquired Fiocchi, one of the world's leading producers of small-calibre ammunition with production in Italy, the UK and the US, from the Italian investment group Charme Capital Partners. This acquisition strengthens CSG Group's global profile and, with Fiocchi consolidating into CSG's results as early as 2022, it has a positive impact on reported sales and EBITDA.

Over 28 years, CZECHOSLOVAK GROUP has grown from a small business to a widely diversified industrial holding which develops new products and successfully offers them all over the world. In addition, it is a strategic supplier and manufacturer for the Czech Army. It is actively participating in armament agreements of foreign suppliers and creating added value in their framework in the Czech economy. Under the leadership of Michal Strnad, the CSG Group has been improving its corporate governance and aims to become one of Europe's most important industrial corporations.

Description of the Rights and Obligations Attached to Shares

The share capital of CSG is divided into 20 ordinary registered shares in the book-entry form, with a nominal value of CZK 100,000,000 per share, which were transferred in 2022 from Michal Strnad to the current owner, CSG FIN a.s., Corporate ID 141 41 442, having its registered office at Na Poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies maintained by the Municipal Court in Prague, File No. B 26982 ("CSG FIN"). As of 31 December 2022, CSG FIN is thus the sole shareholder of CSG.

The sole shareholder of CSG FIN, whose share capital is divided into 10 ordinary registered shares in certificated form, with a nominal value of CZK 200,000 per share, is Michal Strnad.

CSG has a sole shareholder, the General Meeting is not held, and the sole shareholder acts in its capacity. Minutes are prepared of the decisions made by the sole shareholder acting in the capacity of the General Meeting, which contain all the information required by law.

The shares of CSG are registered shares in the book-entry form, ISIN: CZ0009003158.

The rights and obligations arising from generally binding legal regulations and articles of association of CSG are attached to the shares. The shareholder has primarily the right to attend the General Meeting, vote at the meeting, request and obtain explanation of issues regarding the Company or entities controlled by the Company, if such explanation is necessary for an assessment of the content of the agenda of the General Meeting or for the exercise of the shareholder rights at the meeting, and to make suggestions and counter-suggestions regarding the matters included in the agenda of the General Meeting. The shareholder is entitled to a share in the Company's profit (dividend) that the General Meeting has approved for distribution to shareholders.

Other rights and obligations attached to the ownership of shares in CSG are listed in Articles 6 and 7 of the CSG's Articles of Association and in Section 344 et seq. of the Business Corporations Act.

Control Over the Company

In accordance with Section 118 (4d) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, and item 10.1 of Annex 6 to Regulation 2019/980, the Company states that its sole shareholder as of 31 December 2022 was CSG FIN a.s. and, as the sole shareholder, it has acted as the supreme body of the company since 28 June 2022. In the period from 1 January 2022 to 27 June 2022, Michal Strnad acted as the supreme body of the company.

The nature of the control over the Company by its sole shareholder results directly from ownership of 100% of the shares issued by the Company. Measures against misuse of control and controlling influence of the controlling entity are exercised by the Company in line with the applicable generally binding legal regulations. The Company primarily uses the statutory instrument of the Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity (see Report on Related Party Transactions for 2022).

Description of the Company

Company's name:	**CZECHOSLOVAK GROUP a.s.**
Company's name:	**034 72 302**
LEI of the Issuer:	**315700SWFD7G70AVG768**
Formation date:	**13 October 2014**
Registered office:	**Pernerova 691/42, Karlín, 186 00 Prague 8**
Recorded by:	**Municipal Court in Prague, File no. B 20071**

Selected Economic Indicators of the CSG Group*

	Unit	As of 31 December 2022	As of 31 December 2021
Assets	CZK thousand	60,117,962	27,403,799
Equity	CZK thousand	15,800,041	9,252,257
Sales	CZK thousand	24,932,648	14,444,230
Operating profit	CZK thousand	3,993,415	1,295,469
EBITDA **	CZK thousand	5,615,475	2,728,310
EBIT **	CZK thousand	4,920,587	2,025,751
EAT **	CZK thousand	3,473,839	1,316,784
Number of employees		5,450	3,739
Net Debt to EBITDA Covenant (maximum value of 3.5)		2.07	2.20

* In line with IFRS-EU

** The calculation method is disclosed in the "Methodology Used to Calculate Alternative Performance Measures" section

Focused on reliability

JOB AIR Technic provides service in the largest hangar in Central Europe for both Boeing and Airbus transport aircraft and ensures the safety and reliability of global air transport with its team of experienced mechanics.

Report of the Board of Directors

Despite challenges caused by inflation, energy price volatility and disruptions in supply chains, 2022 was the most successful year in CSG Group's history. This was mainly due to the acquisition of the Fiocchi Group, one of the world's leading small-calibre ammunition manufacturers. It is a well-performing and efficiently managed company that has already contributed significantly to CSG's EBITDA and sales growth for 2022.

The acquisition of Fiocchi would not have been possible without solid internal M&A and legal teams. The successful negotiation of such a challenging project, which involved a club of Czech and Italian banks, the Fiocchi family and the Charme Capital Partners investment fund, demonstrates CSG's high level of corporate governance. It is worth noting that the transaction also had to be approved by the Committee on Foreign Investment in the United States (CFIUS), which conducted a detailed review of the entire CSG Group's business and compliance.

Another success of the CSG Group in 2022 was the acquisition of lucrative contracts in Southeast Asia, which will involve several CSG Group member companies and foreign partners. The Czech industry, however, is in the role of the final integrator.

The CSG Group has responded flexibly to the rapidly changing security situation in Europe and has strengthened its position as a strategic supplier of armour and ammunition not only to NATO countries but also to our allies who have to defend their democracy and independence against external aggression by force.

Due to the Group's growth, the need arose for a long-term solution concerning its headquarters and office space for the owners and management structures of the holding. For this reason, the decision was taken in March 2022 to relocate to the new Red Court office building, the construction of which is currently being completed; the building should be available in 2024. A total of 7,000 sqm of office space and state-of-the-art technology should provide CSG companies with facilities for decades to come.

As to a brief recapitulation of the results of the entire CSG Group, it managed to increase its net profit by CZK 2,157 million to CZK 3,474 million and its EBITDA by CZK 2,887 million to CZK 5,615 million year-on-year in 2022.

In European business, there is an increasing emphasis on ESG policies and non-financial criteria. CSG and the entire CSG Group are adapting flexibly to this, publishing ESG reports and, most importantly, using this trend as an opportunity for technological transformation and investments. European industry will gradually undergo a major modernisation and transformation in the energy and transport sectors. Although this will not be without complications, we believe in the European industry and want to continue to invest in it and grow within its scope.

Organisational Structure of CSG

Sole Shareholder of CSG

Michal Strnad was the sole shareholder of CSG from 1 January to 27 June 2022. From 28 June to 31 December 2022, the sole shareholder of CSG was CSG FIN a.s. The aforementioned entities acted as the supreme body of CSG from the position of the sole shareholder.

CSG Group

CSG is a holding company and umbrella company for the activities of its subsidiaries in the Czech Republic, Slovakia, Italy, Spain, the UK, Serbia and the US. The CSG Group has a direct equity investment in the entities shown in the preceding figure, together with the investment held in the share capital and voting rights of a particular company. The description of the subsidiaries that are the most significant in terms of their influence in the Company's activities, is discussed in chapter Most Significant Subsidiaries and their Activities.

Group Dependence

The CSG Group is dependent on CSG's Chairman of the Board, Michal Strnad, who is also a controlling entity of CSG through his ownership of 100% of the shares in CSG FIN, which owns 100% of the shares issued by CSG. CSG is further dependent on its subsidiaries, which pay CSG a profit share taking the form of dividends, which is subsequently reflected in the consolidated results of the entire CSG Group.

CSG Group Expansion in 2022

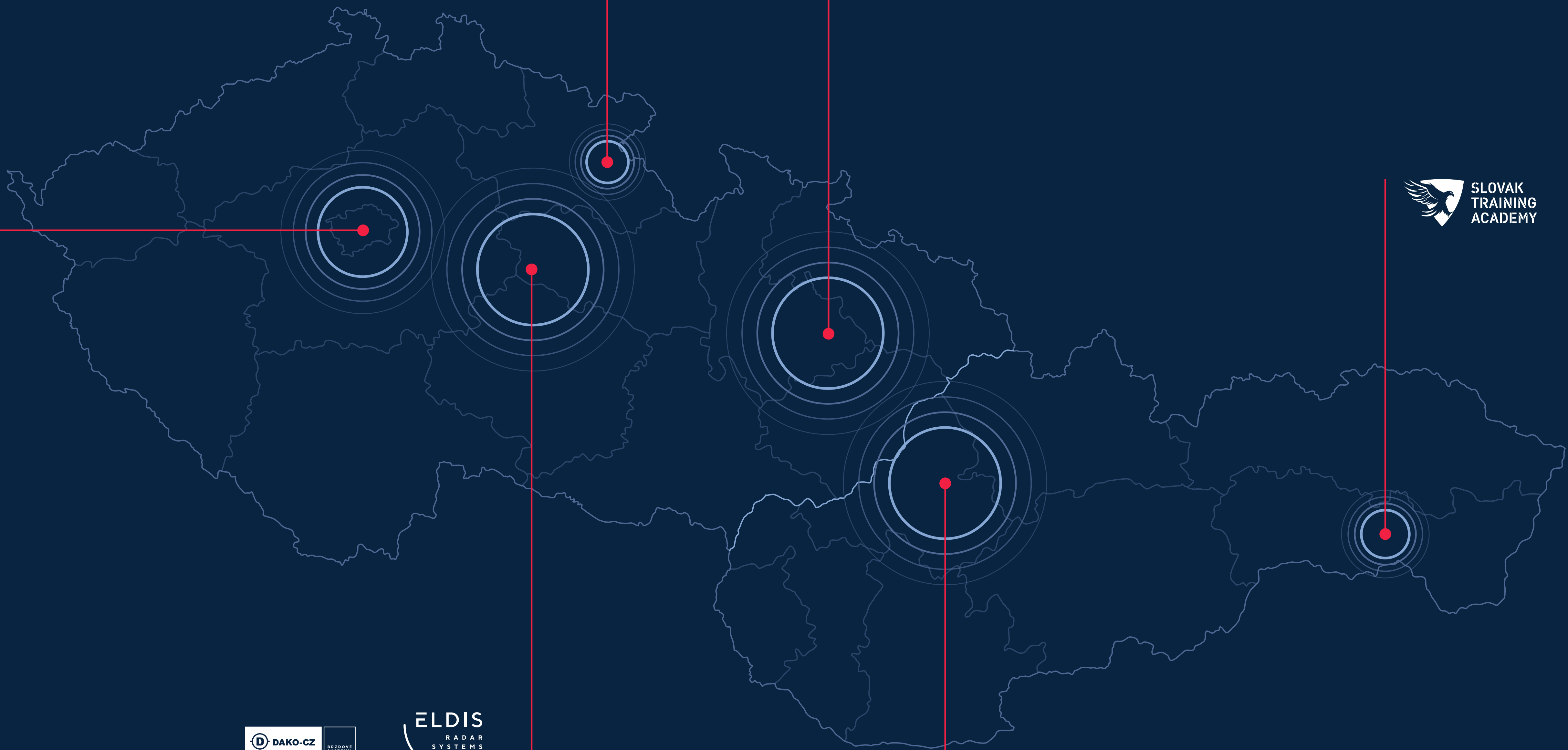
Group expansion	Parent company	Date of the entry in the Group	Manner of acquisition
LAIRAN SPV a.s.	RUMPETA a.s. (now CSG AMMO+ a.s.)	11 January 2022	Formation. Owner: 100% RUMPETA a.s. (now CSG AMMO+ a.s.)
HARVO SPV s.r.o.	EXCALIBUR ARMY spol. s r.o.; STV INVEST a.s.	13 January 2022	Formation. Owner: 50% EXCALIBUR ARMY spol. s r.o.
ELDIS Pardubice India Private Limited (India)	ELDIS Pardubice, s.r.o.	January 2022	Formation. Owner: 100% ELDIS Pardubice, s.r.o.
Development Přelouč s.r.o.	EXCALIBUR ARMY spol. s r.o.	17 February 2022	Formation. Owner: 100% EXCALIBUR ARMY spol. s r.o.
EUROPEAN AIR SERVICES SLOVAKIA s. r. o. (Slovakia)	CSG AEROSPACE a.s.	24 February 2022	Acquisition of a 15% share in EUROPEAN AIR SERVICES SLOVAKIA s. r. o. from Marek Kažimír.
EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED (India)	EXCALIBUR ARMY spol. s r.o.	8 March 2022	Formation. Owner: 49% EXCALIBUR ARMY spol. s r.o.
TATRA DEFENCE PROJECTS s.r.o.	TATRA DEFENCE VEHICLE a.s.	8 March 2022	Formation. Owner: 100% TATRA DEFENCE VEHICLE a.s.
REALID SPV a.s.	CZECHOSLOVAK GROUP a.s.	6 May 2022	Formation. Owner: 100% CSG.
RELAZA SPV a.s.	CZECHOSLOVAK GROUP a.s.	5 May 2022	Formation. Owner: 100% CSG.
CLEVELOPMENT SPV a.s.	CZECHOSLOVAK GROUP a.s.	6 May 2022	Formation. Owner: 100% CSG.
TATRA a.s.	CZECHOSLOVAK GROUP a.s.	6 May 2022	Formation. Owner: 100% CSG.
GACEL Holding s.r.o.	CSG DEFENCE a.s.	21 July 2022	"Intragroup" acquisition of a 100% share from CZECHOSLOVAK GROUP a.s., which established GACEL Holding s.r.o. on 25 April 2022.
STA TECHNOLOGY, s.r.o. (Slovakia)	Slovak Training Academy, s.r.o.	27 September 2016	Acquisition of a 33% share in STA TECHNOLOGY, s.r.o., from SST Aerospace, LLC (USA).
GAMA OCEL, spol. s r.o.	GACEL Holding s.r.o.	25 August 2022	Acquisition of a 100% share by GACEL Holding s.r.o. from Pavel Gajdík and Jaroslav Macek.
UpVision s.r.o.	TRADITION CS a.s.	30 September 2022	Acquisition of 100% shares in UpVision s.r.o. from Štěpán Alexa, Aleš Konrád, Jakub Karas, and future space s.r.o.

Group expansion	Parent company	Date of the entry in the Group	Manner of acquisition
UpVision Defence s.r.o.	UpVision s.r.o.	30 September 2022	Acquisition of 100% share in UpVision Defence s.r.o. through the acquisition of 100% shares in UpVision s.r.o. (UpVision Defence s.r.o. is a subsidiary of UpVision s.r.o.)
C3F S.p.A. (Italy)	70 % LAIRAN SPV a.s.	3 March 2022	Formation (original legal form was S.r.l.), 100% owner upon formation: LAIRAN SPV a.s. As part of the acquisition, Fiocchi increased its share capital by the subscription of new shares by minority shareholders. Currently: 70% LAIRAN SPV a.s. 25% Guilio Fiocchi S.p.A. 5% Fiochcibi S.p.A. ("Fiocchi Acquisition")
FCC S.p.A. (Italy)	C3F S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 100% owner is C3F S.p.A.
Fiocchi Munizioni S.p.A. (Italy)	FCC S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 100% owner is FCC S.p.A.
Fiocchi of America Inc. (USA)	Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 100% owner is Fiocchi Munizioni S.p.A.
Baschieri & Pellagri S.p.A.	Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 100% owner is Fiocchi Munizioni S.p.A.
Lyalvale Express Limited (UK)	Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 100% owner is Fiocchi Munizioni S.p.A.
Fiocchi UK Limited (UK)	75% Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 75% owner is Fiocchi Munizioni S.p.A.
C.F.L. S.a.s. (Italy)	20% Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 20% owner is Fiocchi Munizioni S.p.A.
Target Products 1978 Ltd. (New Zealand)	28,57% Fiocchi Munizioni S.p.A.	24 November 2022	Part of the Fiocchi acquisition; 28.57% owner is Fiocchi Munizioni S.p.A.

Map of Key Companies

MANUFACTURE PRIM 1949
ELTON

EXCALIBUR ARMY
job air technic
TATRA DEFENCE VEHICLE
TATRA



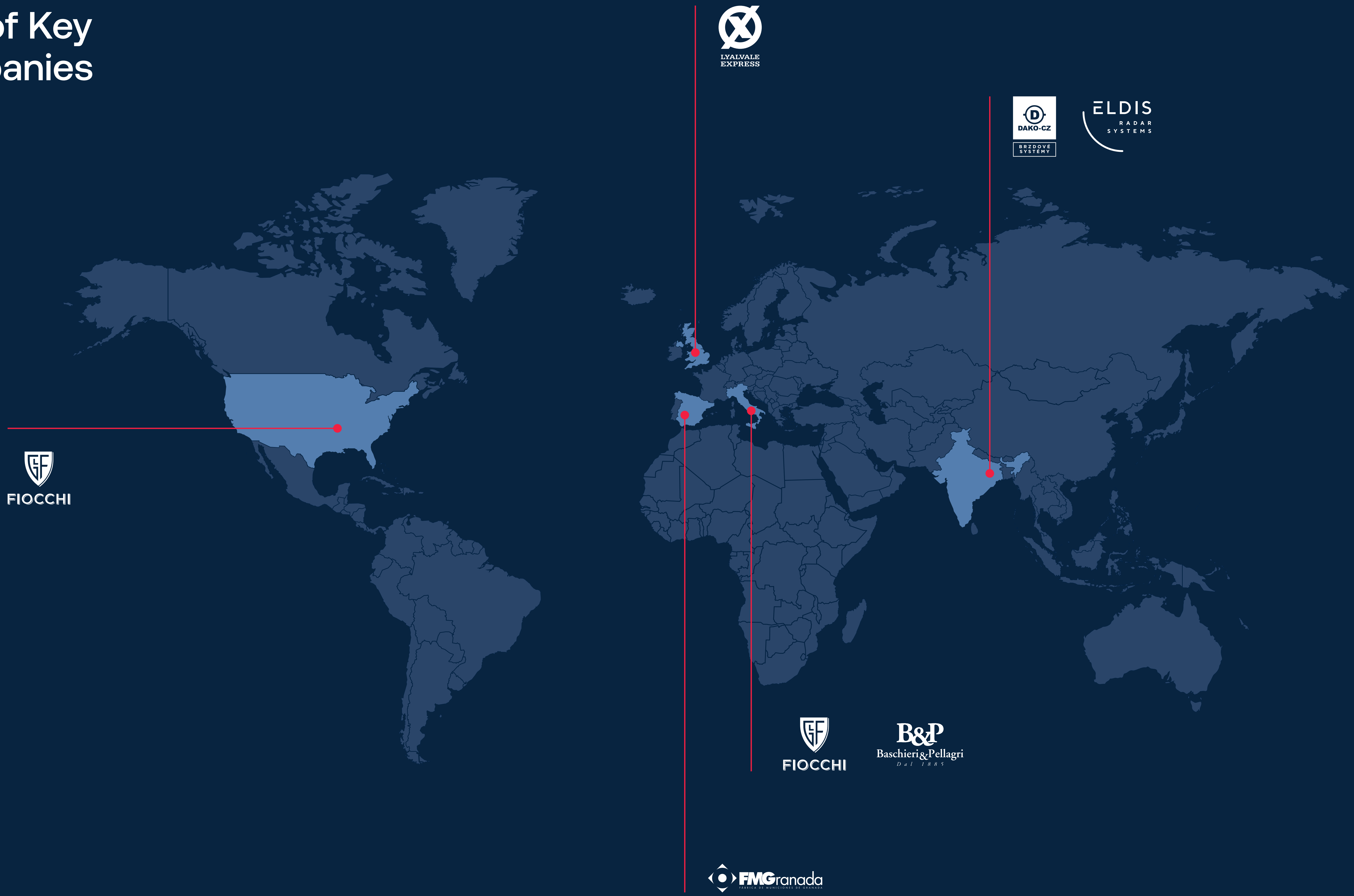
SLOVAK TRAINING ACADEMY

european air services
ATRAK
CLS
CS-SOFT
UPVISION SERVICES | DEFENCE
EXCALIBUR INTERNATIONAL

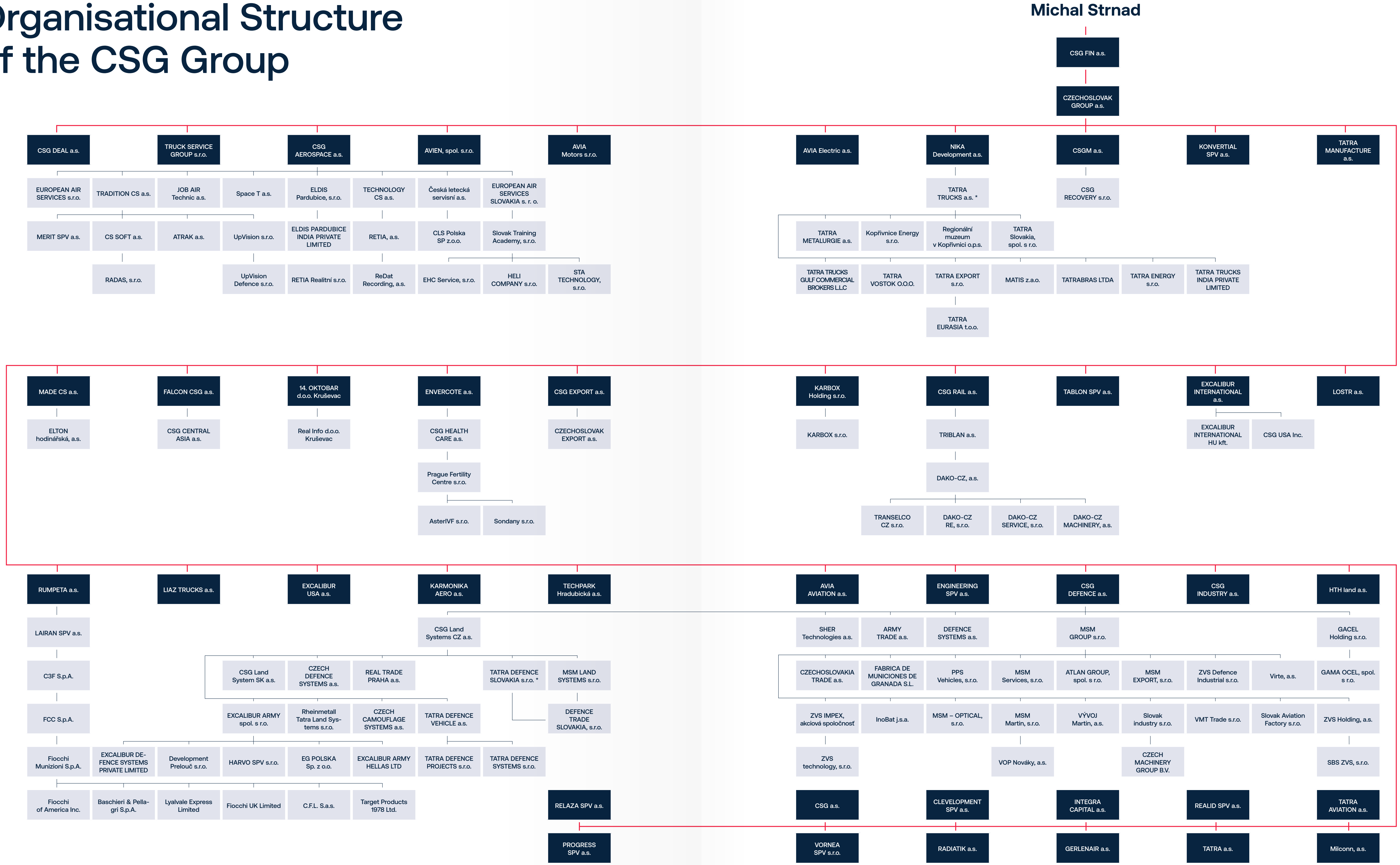
DAKO-CZ
ELDIS RADAR SYSTEMS
KARBOX
TSG TRUCK SERVICE GROUP
RETIA

VÝVOJ Martin INNOVATION SPECIALISTS
VOP NOVÁKY
TATRA DEFENCE SLOVAKIA
msm LAND SYSTEMS
MSM GROUP
ZVS

Map of Key Companies



Organisational Structure of the CSG Group



* TATRA DEFENCE SLOVAKIA s.r.o. is also partially owned by TATRA TRUCKS a.s.

Administrative, Management and Supervisory Bodies of CSG

General Meeting

The General Meeting is the supreme body of the Company. Considering the fact that CSG has a sole shareholder, i.e. CSG FIN, as of the date of this Annual Report, the General Meeting is not held and CSG FIN acts in the capacity of the General Meeting in line with Section 12 of Act No. 90/2012 Coll. (the Business Corporations Act). If General Meeting is mentioned in this document, it refers to the decisions of the sole shareholder acting in its capacity.

A decision of CSG FIN as the sole shareholder of CSG must be made in writing, it must be signed by the shareholder, and it must be delivered to any member of the Board of Directors or to the address of the registered office of the Company or to an e-mail address designated by the Board of Directors.

The General Meeting is called by the Board of Directors at least once per reporting period so that it is held no later than six months after the last day of the reporting period. The General Meeting may also be called by a member of the Board of Directors or the Supervisory Board if it is in the interest of the company.

Board of Directors

The CSG's statutory body is the Board of Directors. Members of the Board of Directors are appointed and recalled by the General Meeting or the sole shareholder of CSG. The Board of Directors has five members and elects its Chairperson and Vice-Chairperson from among its members. CSG is always represented by two members of the Board of Directors, one of which has to be the Chairperson or Vice-Chairperson of the Board of Directors. If no Chairperson or Vice-Chairperson of the Board of Directors are appointed, the Company is represented by two members of the Board of Directors in all matters.

The Board of Directors is responsible for the business management of the company. The competence of the Board of Directors includes making decisions on all matters that are reserved for the Board of Directors pursuant to CSG's Articles of Association, legal regulations or decisions of the General Meeting or the sole shareholder of CSG. The Board of Directors shall form a quorum in the presence of a majority of its members and the consent of a majority of the Board of Directors present shall be required for the adoption of decisions, except for the appointment and removal of the Chairperson and Vice-Chairperson of the Board of Directors, for which a unanimous decision of all members of the Board of Directors shall be required in accordance with the CSG Articles of Association.

All arrangements between the Company and members of the Board of Directors related to the discharge of their office are contained in the contract on the discharge of office or in the amendments thereto in line with Act No. 89/2012 Coll., Civil Code, and No. 90/2012 Coll., Business Corporations Act. These arrangements include all provisions on remuneration.

Members of the Board of Directors of CSG as of 31 December 2022 are Michal Strnad as the Chairperson of the Board of Directors, David Chour as the Vice-Chairperson of the Board of Directors, Petr Formánek, David Štěpán and Ladislav Štorek. The business address of members of the Board of Directors is the address of the registered office of CSG, Pernerova 691/42, Karlín, 186 00 Prague 8.

Michal Strnad

Chairperson of the Board of Directors
since 31 October 2015

Education, experience and other relevant information
Michal Strnad obtained secondary education concluded with a school-leaving exam at Anglické gymnázium, Střední odborná škola and Vyšší odborná škola, s.r.o.

In 2010–2013, he engaged in assistant activities in the business/project section of EXCALIBUR ARMY spol. s r.o. In 2014, he performed the same activity in CSGM a.s. In 2014–2015, he worked as an assistant to a project manager in CSGM a.s.

Aside from his activity in the Board of Directors of CSG, Michal Strnad worked as the general manager of CSGM a.s. until 2019.

Currently, as the owner of the CSG Group, he is the CEO of CSG.

David Chour

Vice-Chairperson of the Board of Directors
since 1 September 2020

Education, experience and other relevant information

David Chour graduated from the University of Pardubice, Faculty ofEconomics and Administration.

For twenty years, he worked in the financial group Profireal Group where he was the CEO from 2003 and Chairperson of the Board of Directors from 2007. Under his leadership, the Czech entity became a global player which successfully expanded to markets in numerous European countries. In August 2020, he started to work as the CFO of the CSG Group and became the Vice-Chairperson of the Board of Directors of CSG in September. In addition to managing financial flows at the CSG level, he has an important coordination role in respect of CFOs of individual entities in the Group, the structure of which includes more than 100 entities. His competencies also include strategic development projects.

Petr Formánek

Member of the Board of Directors
since 4 November 2019

Education, experience and other relevant information

Between 1988 and 2001, Petr Formánek worked in banks in the financial market segment in various positions including a membership in the Board of Directors in the Czech Republic and Canada. From 2001 to 2005, he participated in the management of distressed asset portfolio in a joint venture with the financial division of General Motors. Between 2005 and 2016, as a member of the Board of Directors of Patria Corporate Finance, he was responsible for a number of public and private projects on capital markets in the Czech Republic and abroad. Since 2016, he has been responsible for corporate finance in CSG.

David Štěpán

Member of the Board of Directors
since 1 March 2022

Education, experience and other relevant information
David Štěpán graduated from the Faculty of Economics at the University of Mining and Metallurgy - Technical University of Ostrava.

After graduating, he worked for the international audit and advisory firm KPMG for eight years. From 2007 to 2009 he worked for KPMG in Australia in the audit department. In 2010, he joined Central European Media Enterprises (CME) as Director of Accounting and Reporting. Within CME, he worked for one year on a restructuring project in Romania and for three years as CFO of the largest commercial television in Bulgaria. After returning to the Czech Republic in 2020, he founded his own consulting company, with which he participated in the restructuring project of the company Đuro Đaković in Croatia. Prior to accepting the position of CSG's Investment Director, he assisted with the recovery of operations of the Slovak MSM Group (part of CSG).

After ceasing his activities in his own consulting company, David Štěpán is fully dedicated to discovering new foreign opportunities and their subsequent integration into the holding.

Ladislav Štorek

Member of the Board of Directors
since 1 September 2022

Education, experience and other relevant information
After graduation, he started working as an associate and attorney at the American law firm Altheimer & Gray, which later merged with SALANS and then with Dentons. In 2002, he became a partner of the firm, and since 2008 he has managed its Prague office for ten years, and for several years also its Bratislava office. For several years he was a member of the European bodies of the firm, where he worked for a total of over 25 years. Ladislav Štorek is a member of the Czech and Slovak Bar Associations.

Ladislav Štorek holds the position of General Counsel of the CSG Group and provides strategic advice to the top management and shareholders, overseeing the operation of the legal department and all major legal matters of the holding.

Supervisory Bodies

The Supervisory Board is the control body of CSG that supervises the performance of the activities of the Board of Directors and the performance of CSG's business activities, especially whether the business activities take place in line with legal regulations, Articles of Association and resolutions of the General Meeting or CSG's sole shareholder.

As o 31 December 2022, CSG had 3 members of the Supervisory Board: Aleš Kvídera, Rudolf Bureš and Aleš Klepek. The business address of the members of the Supervisory Board is Pernerova 691/42, Karlín, 186 00 Prague 8.

An overview of relevant information on the members of the Supervisory Board is provided below:

Rudolf Bureš

Member of the Supervisory Board
since 4 October 2018

Education, experience and other relevant information
Rudolf Bureš graduated from the Faculty of Economics of the University of Economics in Prague. In 2015, he graduated from the Master of Laws (LL.M.) educational programme with a focus on corporate law at the Law and Legal Science Institute in Prague.

From 1995 to 2003, he worked at Eurotel Praha spol. s r.o., where he co-founded the Treasury department. He obtained additional managerial and specialised knowledge in the Unipetrol and AWT groups, where he worked from 2003 to 2008, and from 2009 to 2015, respectively, as treasury and risk management director. From 2016, he worked as a manager in the advisory company PwC. In 2017 he took the position of group treasurer of CSG. He is currently the CFO of CSG Rail.

Aleš Klepek

Member of the Supervisory Board
since 2 September 2020

Education, experience and other relevant information
Aleš Klepek graduated from the Military Technical University in Liptovský Mikuláš, majoring in radiolocation. He completed his post-graduate studies at IEHEI in Nice, in international relations and European studies.

For most of his career, he was active in international relations, be it bilateral cooperation or working on processes relating to the preparation of the Czech Republic to join the NATO. He completed his activities in international relations at a diplomatic post at the Czech Embassy in France. In 2008, he started to work at the Ministry of Defence and proceeded to positions in state administration, as a director of the Defence Minister's cabinet, as a deputy minister, and later in the cabinet of the Czech Prime Minister, until the end of 2011. In 2006, French president Jacques Chirac awarded him the National Order of Merit for the development and Czech-French relations.

Aleš Klepek was a member of the Supervisory Board of ČEZ a.s., where he was appointed chairperson of its Strategic Committee. Since January 2020, he has been the Chairman of the Board of Directors of CSG Aerospace a.s. and is responsible for creating the organisational, process and executive structure of the CSG Group's industry pillar.

Aleš Kvídera

Member of the Supervisory Board
from 14 April 2022 to 28 February 2023

Education, experience and other relevant information
Aleš Kvídera graduated from the Czech Technical University in Prague and completed his MBA studies at the Institute for Industrial and Financial Management in Prague in 2009.

He has extensive experience from abroad. He worked for eight years in Saudi Arabia at SAPIN. He joined CSG Group in 2018 as a project manager at JOB AIR Technic a.s., a member of the CSG Aerospace division, and soon after was appointed its CEO and Chairman of the Board.
Aleš Kvídera's main challenges at JOB AIR Technic a.s. included the completion of the second repair hangar with workshop and administrative facilities and the economic stabilisation of the company. Aleš Kvídera was CEO of the Pardubice companies RETIA, a.s. and ELDIS Pardubice, s.r.o. from 3 October 2022 to 28 February 2023.

Persons in the Management of CSG

Michaela Katolická

CEO, CSGM a.s.
Responsible for the company operations.

Alena Kozáková

HR Director of the Group
Responsible for human resources in the Group.

Radim Ochvat

Head of Corporate Relations, Communication and Marketing
Responsible for the Group's PR communication and marketing activities.

Milan Franc

CEO, CSG DEAL a.s.
Responsible for central purchasing for the Group, investments, supplier tenders.

Milan Matoušek

Head of Strategic Recruitment
Responsible for recruitment for key management positions.

Aleš Jedlička

Production Director of the Group
Responsible for manufacturing and manufacturing investments, effectiveness of manufacturing processes and quality.

Tomáš Vlček

COO, CSG Aerospace Division
Responsible for the operational agenda of the CSG Aerospace Division.

Richard Panc

CFO, CSG Aerospace Division
Responsible for the financial management of companies in the CSG Aerospace Division.

Jan Marinov

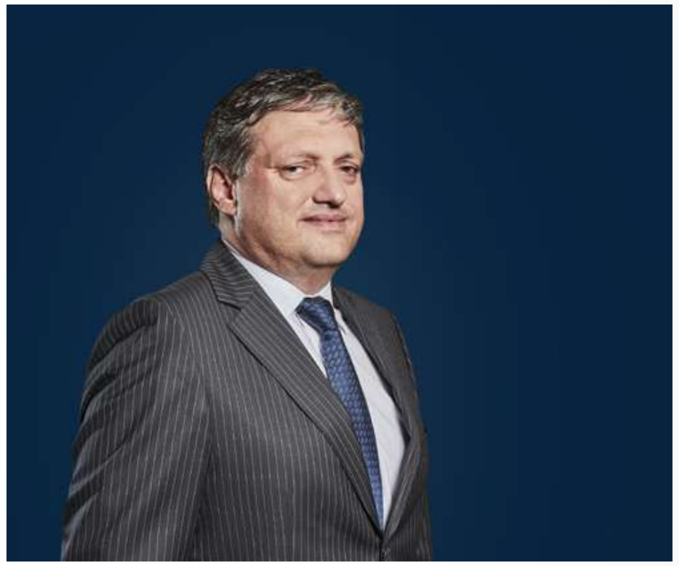
CEO, CSG Defence Division
Responsible for the management of companies in the CSG Defence Division.

Pavel Sládek

CFO, CSG Defence Division
Responsible for the financial management of companies in the CSG Defence Division.

Lukáš Andrýsek

CEO, CSG Rail Division
Responsible for the management of companies in the CSG Rail Division.



Rudolf Bureš

CFO, CSG Rail Division
Responsible for the financial management of companies in the CSG Rail Division.

The CSG Group Principal Activities and Line of Business

CSG sees aerospace, automotive, defence and rail as its key segments. Around these segments, the CSG Group builds its divisional structure where there is an umbrella sub-holding entity over entities operating in one segment which oversees the financial management and searches for synergies across the entities. In 2022, thanks to the acquisition of a majority interest in the Italian company Fiocchi Munizioni, a leading manufacturer of small-calibre ammunition, another separate division, CSG Ammo+, was established.

In aviation industry, the CSG Group offers a wide portfolio of products and services that support or enable air traffic in a comprehensive manner. These primarily include the development and manufacturing of primary and secondary radars (business line of ELDIS and RETIA), development of air traffic control software (business line of ATRAK and CS SOFT), and servicing and maintenance of civil aircraft (business line of JOB AIR Technic).

The representation in the automotive industry is TATRA TRUCKS, the third oldest car manufacturer in the world, with the tradition of vehicle manufacturing dating back to 1850. It operates in a specific niche of its industry segment: it manufactures heavy off-road chassis with a unique concept of a central support tube with tilting half axles. Thanks to the unique properties of its product, it is a globally successful supplier of vehicles for armed forces, firefighters, miners or foresters.

As to the defence and security industry, CSG operates in numerous segments. EXCALIBUR ARMY and TATRA DEFENCE VEHICLE develop, manufacture, repair and modernise armoured vehicles, armoured cabins and artillery systems. In Slovakia, several companies engage in the manufacturing of ammunition and its delaboration (dismantling). In addition, it manufactures ammunition in Western Europe, specifically in the Spanish company FMG.

Railway industry is the business line of DAKO-CZ which is a globally significant developer and manufacturer of brake systems and components for the rolling stock. As such, it plays an important role in the development of sustainable and environmentally friendly freight and passenger rail transport.

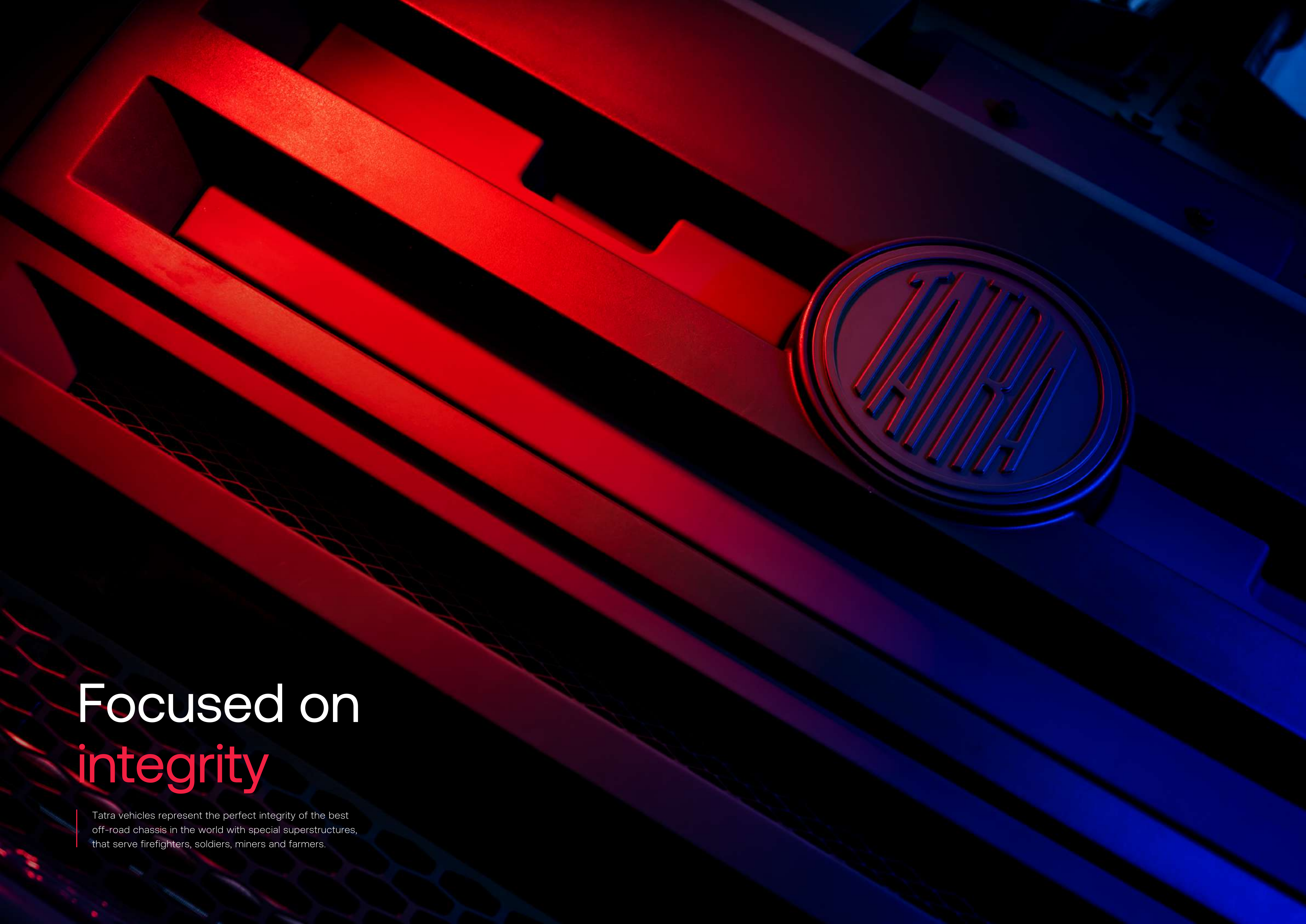
The newly established CSG Ammo+ division represents the companies belonging to Fiocchi Munizioni, i.e. the parent company in Italy and two production plants in the United States, as well as the Italian company Baschieri & Pellagri and the British company Lyalvale Express. The companies of the Ammo+ division produce high-quality small-calibre ammunition for sport shooting and hunting (the "leisure segment") and, to a smaller extent, for security forces.

In addition to the above key segments, the CSG Group operates in other business lines where a profitable and interesting investment has come up. This group includes ELTON hodinářská, the PRIM brand luxury watches manufactory. Another example is the Prague Fertility Center clinic.

Significant Indicators

Indicator	Unit	2015	2016	2017	2018	2019	2020	2021	2022
Sales (cons.)	CZK million	4,725	5,736	7,721	11,456	11,839	15,029	14,444	24,933
EBITDA (cons.)	CZK million	1,248	1,275	1,306	1,867	2,611	2,256	2,728	5,615
Total assets (cons.)	CZK million	7,645	12,999	18,718	20,354	27,528	26,768	27,404	60,118
Equity (cons.)	CZK million	1,686	5,146	5,981	7,644	8,706	9,162	9,252	15,800
Number of employees[1]	persons	1,973	3,217	3,493	3,599	4,152	3,906	3,739	5,450

[1] Indicates the number of employees as of 31 December of the relevant year.



Focused on integrity

Tatra vehicles represent the perfect integrity of the best off-road chassis in the world with special superstructures, that serve firefighters, soldiers, miners and farmers.

Major Subsidiaries and Their Activities

Commentary on the Segmentation of Entities in the CSG Group into Divisions

Given the size of the CSG Group and the number of industries in which its entities operate, the CSG Group is divided, in terms of organisation and external business relations, into divisions by business sectors. The arrangement into divisions develops flexibly depending on the development of the entire CSG Group. The first created division was aviation called CSG Aerospace, led by a company of the same name which has its own management structure. It was followed by other divisions.

The list of significant companies and their segmentation into CSG Aerospace, CSG Defence, CSG Automotive, CSG Rail, CSG Ammo+ and CSG Business Projects divisions:

CSG Aerospace

ELDIS Pardubice, s.r.o.
RETIA, a.s.
CS SOFT a.s.
ATRAK a.s.
EUROPEAN AIR SERVICES s.r.o.
JOB AIR Technic a.s.
Slovak Training Academy, s.r.o.
Česká letecká servisní a.s.

CSG Defence

EXCALIBUR ARMY spol. s r.o.
TATRA DEFENCE VEHICLE a.s.
MSM LAND SYSTEMS s.r.o.
Fábrica de Municiones de Granada SL.
ZVS holding, a.s.
VOP Nováky, a.s.
VÝVOJ Martin, a.s.

CSG Ammo+

Fiocchi Munizioni S.p.A.
Fiocchi of America Inc.
Baschieri & Pellagri S.p.A.
Lyalvale Express Limited

CSG Automotive

TATRA TRUCKS a.s.
TATRA METALURGIE a.s.
TRUCK SERVICE GROUP s.r.o.

CSG Rail

DAKO-CZ, a.s.

CSG Business Projects

ELTON hodinářská, a.s.
KARBOX s.r.o.
EXCALIBUR INTERNATIONAL a.s.
Prague Fertility Centre s.r.o.

CSG Aerospace

CSG Aerospace is a division of the CSG Group, which brings together several Czech and Slovak companies operating in the aviation industry.

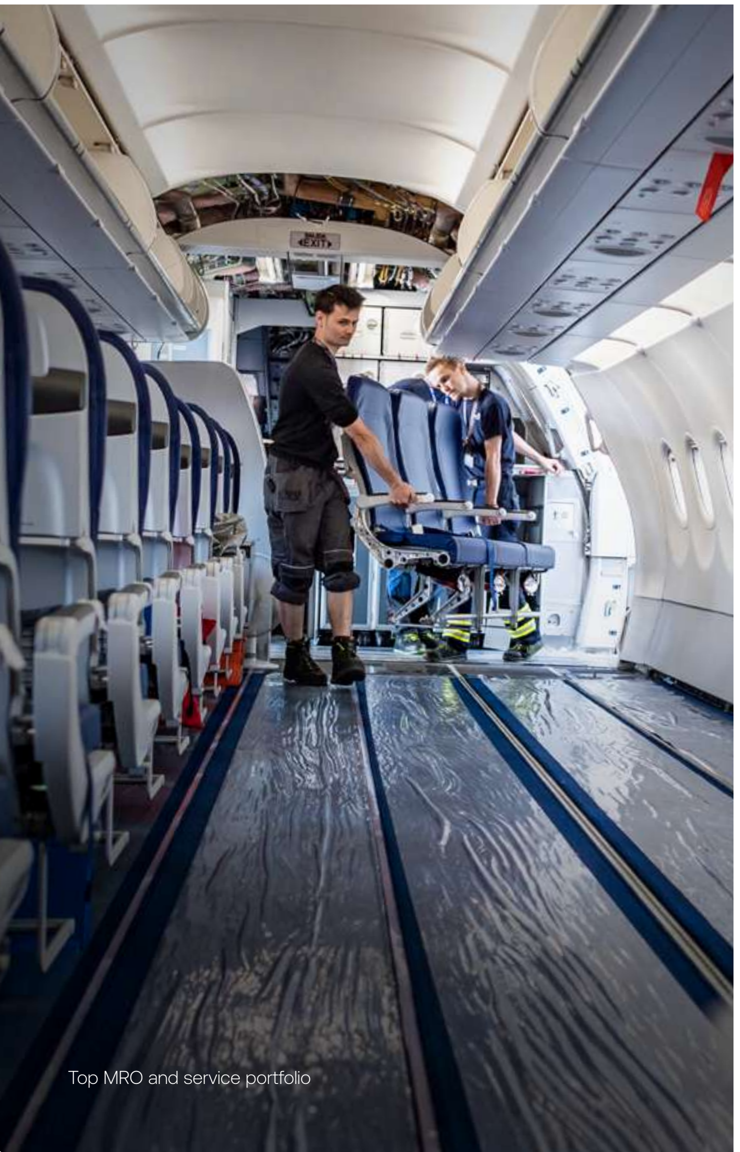
Their products and services complement each other and respond to the requirements of customers from both the civil and military sectors. Thanks to product diversification, synergies between the companies, their cooperation, and high flexibility in adapting products to specific customer requirements, the companies of the division have managed to build leading and significant positions in the aviation industry on a global level.

ELDIS Pardubice, s.r.o.
RETIA, a.s.
CS SOFT a.s.
ATRAK a.s.
EUROPEAN AIR SERVICES s.r.o.
JOB AIR Technic a.s.
Slovak Training Academy, s.r.o.
Česká letecká servisní a.s.

Unique technology, in-house development and manufacturing in the aerospace industry

European leader in radar development and manufacturing

Comprehensive ATC and ATM systems



Top MRO and service portfolio

A safe harbour for a new era

Modern, technologically advanced systems for your safety

ELDIS Pardubice, s.r.o.

Name	**ELDIS Pardubice, s.r.o. (ELDIS Pardubice)**
Corporate ID	**150 50 742**
Registered office	**Dělnická 469, 533 01 Pardubice – Pardubičky, Czech Republic**

ELDIS Pardubice is engaged in the manufacture and development of radar technology and air traffic control systems. It has been on the market since 1991 and since 2017, it has been a member of the CSG Group and its CSG Aerospace division. ELDIS Pardubice is a leading Czech manufacturer of active radar systems used by civilian organisations providing for air traffic control as well as by military entities. Its key products include primary surveillance radar RL-2000, secondary surveillance radar MSSR-1 and precision approach radar PAR-E. All these systems use modern and solely digital technology, they are expandable with modules and fully comply with EUROCONTROL and ICAO standards. Products made by ELDIS Pardubice are used by customers in more than 25 countries throughout the world. The company's radars cover for example 99 percent of India's airspace. In total, the company has already installed more than 30 new radar systems and modernised another 11 radar facilities in this seventh largest country.

In 2022, ELDIS Pardubice signed a new contract with a Turkish customer for the delivery of two new-generation radar systems. The company was also successful with this product in Germany, where a contract was signed for the supply of a new-generation precision approach radar. Furthermore, ELDIS Pardubice managed to win a contract for three radar systems in Poland at the end of the year. Last year, the company signed a contract with a major business partner in India, which will participate in the implementation of already contracted local contracts. In the area of research and development, ELDIS Pardubice has moved into the subsystem testing phase in the development of the PAR-NG precision approach radar. The new Gallium-Nitride transmitters were successfully tested together with the new antenna on the Bezděkov measurement polygon using the functional pattern of the side antenna segment. At the same time, the circular polarisation function was successfully tested. Full-scale production of the radar was started and CSC certification for the container, which is a fixed part of the mobile system, was also obtained. The development of the new block has expanded the possibility of using RFSoC chip technology in the X-band.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	153	224	543	351	977	783	388	580
EBITDA[3]	CZK milion	-15	70	278	143	284	278	116	161
Total assets	CZK milion	494	504	604	719	1,465	2,502	4,190	4,195
Number of employees[2]	persons	161	156	152	176	222	252	240	241

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

RETIA, a.s.

Name	**RETIA, a.s. (RETIA)**
Corporate ID	**252 51 929**
Registered office	**Pražská 341, 530 02 Zelené Předměstí, Pardubice, Czech Republic**

RETIA is a technology company based in Pardubice, formed in 1993. It develops, manufactures and modernises radars, anti-aircraft missiles, command and control systems, recording systems, UWB localisation equipment and communication systems. RETIA develops, manufactures and integrates radar systems for land-based anti-aircraft defence sets, as well as advanced electronic systems for vehicles and sophisticated recording and evaluation systems for military and civilian use. The Pardubice-based company is a strategic company in the Czech defence industry not only in the field of radars, but also command and control systems. It employs more than 240 people, most of them specialists with university education. Radar equipment and sets and electronic systems are supplied by RETIA to the Czech Army and to armies of the NATO states, directly to the North Atlantic Treaty Organisation and other military and civilian customers in the Czech Republic and more than 40 other countries. More than two thirds of the entity's sales are generated from export of its products and services.

The past years have brought numerous new projects that meant major progress in the further development of the company. Thanks to these projects, the small technology firm has gradually developed into a manufacturing and technology company. This trend continued in 2022, when RETIA continued with important projects from the previous period, such as the in-vehicle installation in TITUS vehicles, a major project for the Czech Army in which several CSG companies are participating. In 2022, the development phase and the final military tests of the TITUS vehicles were successfully completed. A joint project between RETIA and Elta Systems involving the production of Elta EL/M-2084 3D radars for the Czech Army has also reached its final stage, and a contract has been signed for the delivery of further Elta radars under the SHORAD programme. The upgrade of the RACCOS air defence system (automated command and control fire distribution system) was completed and handed over to the Czech Army. A contract was also signed for further technical enhancement of the RACCOS air defence system under the follow-on IFF Mode 5 RVR contract and the procurement of two sets of ReVisor reconnaissance radar sensors. The ReDAT division worked on the delivery of hundreds of recording units to ADIF, the Spanish railway infrastructure manager. Another project was the supply and extension of an existing system for EINARE, the Spanish air traffic control company.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion						541	907	543
EBITDA[3]	CZK milion						64	85	85
Total assets	CZK milion						977	2,089	2,411
Number of employees[2]	persons						247	250	287

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

CS SOFT a.s.

Name	**CS SOFT a.s. (CS SOFT)**
Corporate ID	**257 81 723**
Registered office	**K Letišti 1019/6, 161 00 Prague 6 – Ruzyně, Czech Republic**

CS SOFT is a traditional supplier of highly advanced ATM systems and solutions for aviation. It has been on the market for more than 30 years and has extensive experience in the development of ATM solutions. Since 2018, it has been a member of the technological and industrial CSG Group and, since 2019, part of its CSG Aerospace division. CS SOFT develops and supplies operating systems which process flight plan data, radar data and other data on flights necessary for air traffic surveillance and control. Its product portfolio also includes 2D and 3D ATC simulators that allow for full training of air traffic controllers. CS SOFT additionally engages in the development of surveillance and monitoring systems as a means of maintaining an overview of air and ground traffic situation. It develops multi-purpose tools allowing for a comprehensive and safe distribution of sensitive data of various formats among individual airport components, and various software testing tools used for the verification of security and reliability of the ATM products during their development and before they are put into actual operational use. CS SOFT is a significant supplier of ATM solutions for the local provider of air traffic control services, Řízení letového provozu ČR, s.p. (Air Navigation Services of the Czech Republic). It can also boast successful installations and satisfied end users among civilian and military forces on four continents. Principal foreign customers include for example Oro Navigacija, Israel Airports Authority and Slovenia Control.

At the beginning of 2022, the ESUP-NS system was operationally deployed for a long-time customer, the state-owned Řízení letového provozu (Air Navigation Services of the Czech Republic). Its several years of development have been successfully completed and ESUP-NS now operates as a backup system to the main TopSky system. Throughout 2022, CS SOFT worked extensively on the upgrade of the air traffic control system for the Lithuanian air traffic service provider Oro Navigacija. Thanks to the latest support tools, the currently implemented version of the ALS ATM system allows Oro Navigacija to continue providing safe and efficient air traffic control services. In the fall of 2022, CS SOFT won the tender issued by AirNav Indonesia for the replacement and installation of the ATC system for Sentani, Jayapura, Papua. During 2023, the steps required for the successful implementation of the entire project will be completed. At the very end of 2022, a multi-year master agreement was signed with Řízení letového provozu, s.p. In 2022, as in previous years, CS SOFT presented itself at the WATM exhibition in Madrid, where, together with ATRAK and UpVision, it introduced a novelty in the field of unmanned aviation, the Unmanned Aircraft System Traffic Management software solution, and was also again present at FIDAE in Santiago de Chile, South America.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	132	145	149	156	168	113	148	316
EBITDA[3]	CZK milion	54	73	69	71	73	38	74	237
Total assets	CZK milion	101	132	151	136	197	175	155	400
Number of employees[2]	persons	66	66	73	71	75	77	79	70

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

ATRAK a.s.

Name	**ATRAK a.s. (ATRAK)**
Corporate ID	**082 08 638**
Registered office	**Na Poříčí 1071/17, 110 00 Prague 1, Czech Republic**

For more than 30 years, ATRAK has developed and supplied systems and solutions for the aviation industry, primarily for air traffic control. The portfolio of the company includes products such as critical systems used by air traffic controllers, surveillance display systems, systems for modelling of air space and business and financial solutions for bookkeeping, invoicing and statistics. In January 2020, ATRAK became part of the industrial and technological CSG Group and its CSG Aerospace division. The key products of the company include ATRAK Aeronautical Billing (ATRAK-AB), which is a unique invoicing system providing a proven fully integrated solution for air traffic control service operators. In terms of expenses, this product brings an effective and reliable solution for the management of invoices and revenues from flight charges. Another innovative product of the company is ATRAK Business Planning and Modelling (ATRAK-BPM), which allows the management of companies engaged in the aviation industry to optimise their decisions based on a presentation of processed operating and financial data.

The company's systems are used by customers worldwide, principal customers include Air Navigation Services of the Czech Republic, Czech Ministry of the Interior, Sakaeronavigatsia (Georgia), Directorate General of Civil Aviation (Kuwait), Public Authority for Civil Aviation (Oman), Civil Aviation Institute in the Dominican Republic, etc. The company holds a certification of the Civil Aviation Authority as well as several certificates of secure and high-quality development and implementation of systems in the aviation industry and in air traffic control.

At the beginning of March 2022, the operational transition to the new generation air traffic control system TopSky - ATC in the Czech airspace was successfully completed. ATRAK contributed to the launch of the system. In June, a novelty in the field of unmanned aviation was introduced at the World ATM Congress in Madrid. ATRAK, CS SOFT, UpVision are involved in the development of software solutions in the field of UTM (Unmanned Aircraft System Traffic Management). In July, ATRAK extended its service contract with the Air Navigation Services of the Czech Republic for two years. It will continue to provide service support for the EUS (Economic Accounting System) and its accounting modules for its subsidiary Czech Aviation Training Centre, s.r.o. (CATC), including ensuring compatibility with accounting and tax regulations. The product completely developed by ATRAK - ATRAK-AGAS (Air Ground Analysis System) used for continuous surveillance of airspace with special functionalities for the needs of the Foreign Police of the Czech Republic - is awaiting further development. In 2022, the first step towards its interconnection with the Schengen Information System was implemented. A master agreement for further development of the system is being prepared.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion						215	251	159
EBITDA[3]	CZK milion						115	124	76
Total assets	CZK milion						318	305	266
Number of employees[2]	persons						32	28	24

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

EUROPEAN AIR SERVICES s.r.o.

Name	**EUROPEAN AIR SERVICES s.r.o. (EAS)**
Corporate ID	**291 31 987**
Registered office	**Pernerova 691/42, 186 00 Prague 8, Czech Republic**

EAS, based in Prague, was formed in 2012 and has been part of the CSG Group since 2015. EAS offers comprehensive solutions ranging from pilot training to the sale of new and second-hand helicopters and aircraft, including professional advisory and financing, supply of spare parts and maintenance of machines, aviation work and business air transport. In cooperation with the MSM Group, the Slovak branch of CSG, EAS opened the Slovak Training Academy (STA) in Košice, built for USD 30 million, in autumn 2017. The centre has training capacities for dozens of students every year, and offers training conditions that are entirely unique in Europe. The international team of experienced instructors is able to complete the training of a student with zero experience to the level of a pilot ready to be deployed in missions. Every training phase uses various helicopter types from the STA fleet, which has more than 20 helicopters, including four Sikorsky UH-60 Black Hawks that EAS operates as a the only commercial entity in Europe.

As early as in 2019, a new training centre for UH-60 Black Hawk and MD-530 helicopter mechanics was built in cooperation with the Technical University in Košice. The centre offers new methods ranging from virtual simulation to practical training on real machines. During 2020, EAS expanded the portfolio of flight simulators to include a new FTD MD-530 simulator and in 2021 it expanded its flight simulation centre to include a new advanced flight simulator of the F-16 Falcon fighter plane. It works on the basis of virtual mixed reality and is constructed on a fully dynamic platform – it is therefore a full-motion simulator. In 2022, VOP Nováky launched a new mortar programme from 60 mm to 120 mm, which involves the development and modernisation of individual types of mortar bombs, including the necessary investments for the production and inspection of products in accordance with NATO standards, such as the auger equipment and the Industrial CT X-RAy Inspection System. It extended the technical life extension of ammunition with new types of Western ammunition at MSM Nováky and introduced the production of a new product group to the VOP Nováky portfolio (60/80/120 mm mortar bombs) including ammunition elements.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	9	597	315	305	548	1,329	575	2
EBITDA[3]	CZK milion	-2	164	72	47	40	151	50	-15
Total assets	CZK milion	40	339	522	587	780	787	573	396
Number of employees[2]	persons	1	5	8	6	8	11	8	4

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

JOB AIR Technic a.s.

Name	**JOB AIR Technic a.s. (JOB AIR Technic)**
Corporate ID	**277 68 872**
Registered office	**Gen. Fajtla 370, 742 51 Mošnov, Czech Republic**

JOB AIR Technic, based at the Ostrava-Mošnov airport, engages in maintenance of civil airliners. Based on international authorisations, the company performs maintenance of Boeing 737 CL and 737 NG aircraft, Airbus A320 and related aircraft variants and Airbus A330. Its typical customers are airlines or lease companies. As part of heavy maintenance, in which it specialises, it performs non-destructive inspections of aircraft parts, structural repairs, replacements and repairs of aircraft undercarriages, engines and other aircraft parts as well as reconfigurations of aircraft cabins and installation of Wi-Fi or infotainment systems. In 2020, JOB AIR Technic opened the second repair hangar with workshop and administrative facilities, which increased its capacity with the possibility to repair two more Airbus A320 aircraft.

In the period following the pandemic of COVID-19, JOB AIR Technic expanded its existing partnerships with major leasing companies. This helps the company to fully use its long-term competitive advantage, "redelivery checks", i.e., return of the aircraft to the original lessee or handover to a new one. In 2021, the company started to offer overhauls of aviation batteries and for the first time welcomed the Airbus A320neo aircraft in its hangar for maintenance. In November 2021, the company signed a master agreement with Airbus. The agreement will allow the company to provide maintenance services for this significant company – a leader among aircraft manufacturers – as their approved service provider. In autumn 2022, the company signed a seven-year contract with the Ministry of Defence of the Czech Republic for the maintenance of the government's fleet of Airbus A-319CJ aircraft. JOB AIR Technic is also a fully approved educational institution under EASA Part 147, offering on-the-job training or online training to employees and third parties as part of the training organisation's services.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion		402	584	543	666	659	796	879
EBITDA[3]	CZK milion		1,065	211	143	66	76	111	151
Total assets	CZK milion		966	907	1,073	1,302	1,207	1,206	1,273
Number of employees[2]	persons		229	285	318	315	345	399	420

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

Slovak Training Academy, s.r.o.

Name	**Slovak Training Academy, s.r.o. (STA)**
Corporate ID	**470 55 952**
Registered office	**Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia**

Slovak Training Academy (STA) was formed in 2013 based on the cooperation between EUROPEAN AIR SERVICES (EAS) and the MSM Group holding. In 2017, STA started operations as a modern training centre at the international airport in Košice. STA also acquired a dominant share in HELI COMPANY s.r.o. and thanks to that became the actual provider of training for the Slovak helicopter air force. Currently, the Košice airport is the base for a large fleet of helicopters, which continues to grow. The company has 24 helicopters and four flight simulators, it owns four Sikorsky UH-60 Black Hawk helicopters, the only ones in civilian design in Europe. STA offers comprehensive solutions for pilot training, including basic, advanced and special flight training, both military and civilian, as well as training of mechanics and ground crew. It provides air services, aerial work and business air transport. Despite the fact that STA did not conduct any flight training on a significant scale in 2022, through its wholly owned subsidiary HELI COMPANY, the company won several contracts for aerial work and helicopter maintenance in the Czech Republic, Austria, and also for the Ministry of Defence of the Slovak Republic. STA has maintained full capacity and established training capabilities for the MD530F and Sikorsky UH-60 Black Hawk helicopter platforms, which the company offered for use in the Czech Republic through the Ministry of Defence.

	MJ	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	15	—	—	255	489	1,225	550	16
EBITDA[3]	CZK milion	2	—	-12	51	75	184	13	-72
Total assets	CZK milion	13	4	291	468	1,075	1,063	733	665
Number of employees[2]	persons	1	1	1	4	19	30	17	8

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Slovak Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

Česká letecká servisní a.s.

Name	**Česká letecká servisní a.s. (ČLS)**
Corporate ID	**251 01 137**
Registered office	**Mladoboleslavská 1081, 197 00 Prague 9 – Kbely, Czech Republic**

ČLS, based in Prague, was formed in 1997 and it has been part of CSG Aerospace since 2018. In the region of Central Europe, Česká letecká servisní offers unique capabilities and services in integration and modernisation of avionic systems and special equipment for aircraft in both civil and military segment. ČLS develops its business activities primarily in the territory of Europe and East Asia and thanks to its capabilities and capacities it is a key partner for modernisations of aircraft and helicopters for numerous customers in the region. In addition to comprehensive projects, ČLS supplies aircraft, electronics and special equipment for civil, military, police and rescue aircraft and helicopters. ČLS additionally provides warranty and post-warranty services to the supplied equipment. Business partners of ČLS include renowned worldwide manufacturers of avionics and electronic systems such as Collins Aerospace, L3Harris, Honeywell/Bendix King, Garmin, Dynon Avionics and others.

In 2022, the Company worked on several significant projects. The contract for the modernisation of the PC-9 turboprop training aircraft used by the Slovenian air force and the award and successful completion of the contract for the modernisation of special equipment of Augusta AW109E helicopters for the Latvian border guard have reached the final phase. ČLS additionally continued the successful cooperation with the traditional Polish aircraft repair plant WZL 1, Slovak repair plant LOTN and Croatian repair plant ZTC in supplies of equipment and technical and engineering support. For ZTC, ČLS also supplied spare parts for Canadair amphibious aircraft, which, among other things, participated in firefighting in the České Švýcarsko national park. The company also continues to cooperate with Aero Vodochody and its MRO activities as well as in the L-39NG aircraft development programme. In civil aviation, ČLS has carried out conversions and upgrades of small aircraft and ultralights for its customer EMU. In 2022, the Company participated in several key tenders in the European Union region, which are awaiting second rounds or evaluation in the first part of 2023.

	MJ	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	93	90	1,552	1,239	602	432	298	250
EBITDA[3]	CZK milion	4	-5	201	328	274	63	26	16
Total assets	CZK milion	68	52	1,794	603	532	234	404	466
Number of employees[2]	persons	26	26	22	21	24	22	25	21

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

CSG Defence

The CSG Defence division brings together traditional and new companies operating in the Czech Republic, Slovakia, and other European countries.

CSG Defence's portfolio of companies includes, for example, the development, production, and sales of military and special wheeled and tracked vehicles, heavy off-road trucks, weapons, and special weapon systems. CSG Defence companies also develop and manufacture medium and large-calibre ammunition for combat vehicles, artillery, and tanks and sell small arms or equipment for pyrotechnic services. In addition, CSG Defence companies also manufacture engineering products for the automotive and aerospace industries, special mobile containers, and accessories. The division's offer also includes training of crews and support personnel, logistics support, and comprehensive technical lifecycle support.

EXCALIBUR ARMY spol. s r.o.
TATRA DEFENCE VEHICLE a.s.
MSM LAND SYSTEMS s.r.o.
Fábrica de Municiones de Granada SL.
ZVS holding, a.s.
VOP Nováky, a.s.
VÝVOJ Martin, a.s.

Initiator Primer M82 – one of the key components of artillery ammunition produced by ZVS

The M82Z primer is dedicated for initiation of propelling charges of types M3A1, M4A2, M119A1/2, M203, BMCS and others on all 155mm howitzers compatible with JBMoU.

Successful solutions for armed forces and security forces

Top tools for new production and renovation

Artillery ammunition of 155 mm calibre namely the 155 mm M107 missile

Quality control in all stages of parts production

Extensive artillery systems portfolio

EXCALIBUR ARMY spol. s r.o.

Name	**EXCALIBUR ARMY spol. s r.o. (EXCALIBUR ARMY)**
Corporate ID	**645 73 877**
Registered office	**Kodaňská 521/57, 101 00 Prague 10 – Vršovice, Czech Republic**

EXCALIBUR ARMY (EA) is based in Šternberk, close to Olomouc, and primarily engages in the manufacture and sale of land military and special vehicles for the army and the civilian sector. In military technology, the company focuses on the development and production, as well as on servicing, overhauling and modernisation, including major renovations and constructions of entirely new vehicles. In addition to tanks and armoured tracked and wheeled military vehicles, EXCALIBUR ARMY's portfolio includes artillery technology as well as sapper, amphibious and support vehicles, which can be utilised not only by armed forces but also by firefighters or other forces of the Integrated Rescue System. EXCALIBUR ARMY also supplies spare parts for armoured vehicles and other trucks and special military vehicles. It also engages in the sale of heavy and light firearms and equipment for soldiers and other forces.

EXCALIBUR ARMY has customers all around the world and cooperates with world-renowned producers of defence technologies. To a large extent, the company cooperates on many projects with partner companies from the CSG holding, for example with its fellow subsidiary MSM LAND SYSTEMS, TATRA TRUCKS car manufacturer, TATRA DEFENCE VEHICLE and RETIA. In 2022, EXCALIBUR ARMY achieved several business successes and filled its manufacturing and investment plan till 2025. The most significant customers include Ukraine, countries of the Middle East and Indonesia where the company managed, thanks to successful offset programmes, to sell products in numbers allowing purely serial production of light and heavy machinery. In 2022 at the Eurosatory trade fair, EXCALIBUR ARMY introduced a brand-new artillery system Morana, fully compliant with the NATO standards, and also a new recovery and evacuation vehicle Treva-30, both on unique Tatra chassis and with armoured cabins of its own design.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	3,944	2,146	2,091	2,995	3,222	2,228	2,497	13,506
EBITDA[3]	CZK milion	775	625	535	556	447	396	400	2,045
Total assets	CZK milion	3,725	3,628	4,309	4,905	5,096	4,427	5,394	13,038
Number of employees[2]	persons	492	441	503	491	424	429	487	526

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

TATRA DEFENCE VEHICLE a.s.

Name	**TATRA DEFENCE VEHICLE a.s. (TDV)**
Corporate ID	**241 52 269**
Registered office	**Kodaňská 521/57, 101 00 Prague 10 – Vršovice, Czech Republic**

TDV is the youngest entity specialising in the defence sector in the CSG holding. The company engages primarily in the development, manufacture, overhauls and modernisations mostly of armoured and special vehicles for both local and foreign customers. It opened its manufacturing premises located in the Kopřivnice industrial area in 2016 and today it is one of the leading strategic companies of the Czech defence industry. Its portfolio includes for example the manufacture, maintenance and repairs of Pandur II 8x8 vehicles, thanks to the 2015 strategic partnership contract between TDV and the multinational group General Dynamics European Land Systems (GDELS).

Pursuant to this contract, TDV acquired exclusive rights to the promotion, sale, manufacture and maintenance of the Pandur II 8x8 armoured vehicles for the Czech Republic and other selected markets. In recent years, TDV has supplied new special versions of Pandur II vehicles to the Czech Army and gained orders, together with EXCALIBUR ARMY, for supplies of Pandur II 8x8 armoured vehicles to Indonesia and the Philippines. In 2020, TDV signed a new contract for maintenance services for Pandur II CZ vehicles used by the Czech Army with the Ministry of Defence. According to the representatives of the Ministry of Defence and the Czech Army, the army will need to increase the number of Pandur II CZ vehicles in the next few years and modernise those already in its arsenal. If these projects are launched, TDV will play an indispensable role in them.

TDV is also the principal integrator of the TITUS armoured vehicles project for the Czech Army, on which it cooperates with TATRA TRUCKS, RETIA, French corporation Nexter Systems and other Czech and foreign companies. In 2022, comprehensive tests of all produced TITUS prototypes were completed, and in 2023 and subsequent years, the production of these armoured vehicles for the Czech Army will be a key part of TDV's production capabilities. TDV is also engaged in the development, construction and manufacture of armoured cabins for vehicles produced by TATRA TRUCKS and development and manufacture of armoured vehicles with Tatra chassis. In 2021, TDV obtained a significant order for the Belgian Army, together with its partner car manufacturer TATRA TRUCKS and the DAF Trucks company. The execution of this order has fully started in 2022 when the vehicle tests were completed, and first serial units were handed over to the customer. Based on this order, TDV will manufacture armoured cabins of its own design till 2025. Furthermore, TDV takes part in repairs of tanks in close cooperation with EXCALIBUR ARMY and provides for maintenance services for off-road vehicles on Toyota and Land Rover Defender chassis.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	2	53	62	321	826	1,673	235	950
EBITDA[3]	CZK milion	-13	-17	-13	39	51	102	51	164
Total assets	CZK milion	81	146	707	1,215	1,875	1,863	3,575	4,109
Number of employees[2]	persons	55	72	80	83	79	92	124	174

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

MSM LAND SYSTEMS s.r.o.

Name	**MSM LAND SYSTEMS s.r.o. (MSM LAND SYSTEMS)**
Corporate ID	**36396711**
Registered office	**Kasárenská 8, 911 05 Trenčín, Slovakia**

MSM LAND SYSTEMS is a manufacturing and repair company which specialises in repairs of military tracked and wheeled technology for state security forces (army, police, firefighter and rescue departments), modernisation of military and special vehicles, sale of spare parts and manufacturing of mobile containers of ISO 1C.

The company is also an authorised sales representative of TATRA TRUCKS a.s. and an authorised service centre for TATRA TRUCKS for the Slovak market.

In civil production, the company focuses on the manufacturing of special containers, special-purpose superstructures, repairs and inspections of flowmeters of tank trucks, flow meters of all kinds, filters, monoblocks, pumps and separators, and verification of all types of approved flowmeters in authorised testing shops. The company offers machine manufacturing services such as laser cutting/burning, hydraulic bending, sandblasting, painting and welding on a commercial basis for external customers.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion					1	378	376	490
EBITDA[3]	CZK milion					—	74	35	47
Total assets	CZK milion					1	537	566	553
Number of employees[2]	persons					5	121	154	220

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Slovak Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

Fábrica de Municiones de Granada SL.

Name	**Fábrica de Municiones de Granada SL. (Fábrica de Municiones de Granada)**
Corporate ID	**B88295209**
Registered office	**Carretera de Murcia (El Fargue), S/N, Granada, 18182, Granada, Spain**

Fábrica de Municiones de Granada (FMG) was formed in 2019, but it builds on almost 700 years of tradition of production of gun powder, gun powder charges, and subsequently tank and artillery ammunition in the Granada area. The plant located at the outskirts of Granada, in the El Fargue municipality, specialises in the manufacture, sale and storage of large-calibre ammunition manufactured in line with the NATO standards – 105 mm, 120 mm and 155 mm for tanks and artillery systems as well as mortar systems ammunition. Further, it manufactures high-performance powder charges for medium-calibre ammunition, pyrotechnic equipment for military engineers and security and police forces, as well as rocket components and carries out the final assembly of guided missiles.

As with many other CSG Group companies, the global security situation has fundamentally changed the business environment at FMG. Within four months in 2022, the M1 large-calibre powder was developed, and its production started, followed by the production of M4A2 artillery ammunition charges. Two- and, where possible, three-shift operation has been implemented on all production lines. The number of agency workers has increased by 100. In 2023, the company plans to collaborate - as part of a consortium - on the Spike LR2 anti-tank missile project for the Spanish army. As part of this programme, FMG will be involved in the production of warheads, and production of 1,600 Spike LR2 anti-tank missiles is expected. Between 2023 and 2026, the Spanish Ministry of Defence plans to invest EUR 287 million in the project, and more than 1,000 jobs are expected to be created.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion						259	361	492
EBITDA[3]	CZK milion						-20	11	10
Total assets	CZK milion						247	283	857
Number of employees[2]	persons						65	65	71

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Spanish Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

ZVS holding, a.s.

Name	**ZVS holding, a.s. (ZVS holding)**
Corporate ID	**363 05 600**
Registered office	**Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia**

ZVS holding builds on the mechanical engineering tradition in Dubnice nad Váhom dating back to 1937, when the first plant was built there by the Škoda Plzeň group. Since 2015, ZVS has been part of the MSM Group – the Slovak branch of the CSG holding. ZVS holding engages in the development, production and sale of products and services in mechanical engineering, electrotechnics, special production and ammunition. One of the principal parts of the company portfolio is the production of medium calibre and large calibre ammunition, including ammunition for tanks, artillery, mortars and rocket launchers. The company additionally produces pyrotechnic compositions.

The largest business partners in recent years have come mostly from Europe, for example from Poland or Serbia, but also Slovakia. In 2020 ZVS holding cooperated with Israeli partners and in 2021 it supplied a successful order to the UAE. It was a supply of high-calibre ammunition of 155 mm (M107), including KZ 984 and modular charge, completed in cooperation with its fellow subsidiaries FMG, ZVS IMPEX and MSM Nováky. During 2021, the company worked on another key order of high-calibre ammunition for Polish company Dezamet and, as part of fruitful working relationship, signed significant business partnership for the following period. In 2022, the company responded to the growth in demand for ammunition with an increase in capacity, a massive recruitment campaign and major investments in production both in Dubnica nad Váhom and at the branch in East Slovakia's Snina, where a new production hall will be built by 2024.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	415	340	406	680	601	964	986	978
EBITDA[3]	CZK milion	73	41	67	46	37	60	59	37
Total assets	CZK milion	350	406	456	751	815	972	785	913
Number of employees[2]	persons	219	238	288	267	247	272	212	276

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Slovak Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

VOP Nováky, a.s.

Name	**VOP Nováky, a.s. (VOP Nováky)**
Corporate ID	**358 20 322**
Registered office	**Duklianska 60, 972 71 Nováky, Slovakia**

VOP Nováky (formerly MSM Nováky, a.s.) started its business activities in 2013 and directly continues the activities of the former state-owned enterprise VOP Nováky. It was formed in late 1950s and engaged in revisions and repairs of various ammunition types since the beginning, later expanding its activities to include ammunition delaboration (dismantling). The company currently continues these activities, including modernisation of ammunition, and additionally offers programmes of extending ammunition life cycle. In recent years, the company has expanded its portfolio to include the manufacture of selected types of rockets, training large-calibre ammunition and large-scale ammunition models. VOP Nováky additionally offers services of ammunition storage and ammunition delaboration services and environmentally friendly ammunition disposal. Since 2019, it has used one of the most modern halls in Central Europe, approved for work with ammunition with the annual capacity of 70,000 pieces, for its activities.

In 2021 VOP Nováky implemented, as a pilot project, technical extension of ammunition life cycle for an EU member state. The cooperation will continue in the following years. As such, the company participates, to a large extent, in another large project in the MSM Group and supplies ammunition within the EU. VOP Nováky also successfully manufactures for the civil sector. It has a modern workplace available for designs, development, manufacture and repairs of injection moulds for plastic and rubber components that have a 20-year tradition. In 2022, VOP Nováky launched a new mortar programme from 60 mm to 120 mm, which involves the development and modernisation of individual types of mortar bombs, including the necessary investments for the production and inspection of products in accordance with NATO standards, such as the auger equipment and the Industrial CT X-RAy Inspection System. It extended the technical life extension of ammunition with new types of Western ammunition at MSM Nováky and introduced the production of a new product group to the VOP Nováky portfolio (60/80/120 mm mortar bombs) including ammunition elements.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion					367	358	511	1,858
EBITDA[3]	CZK milion					134	51	-15	772
Total assets	CZK milion					1,856	1,621	1,155	1,621
Number of employees[2]	persons					156	131	90	126

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Slovak Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

VÝVOJ Martin, a.s.

Name	**VÝVOJ Martin, a.s. (VÝVOJ Martin)**
Corporate ID	**363 81 829**
Registered office	**Komenského 19, 036 01 Martin, Slovakia**

VÝVOJ Martin was formed in 1998 on the foundations of ZTS VVÚ Martin. Its history dates back to 1954 when a development centre was formed together with an introduction of a licence tank manufacture in Turčianské strojírny Martin. Since 2016, VÝVOJ Martin has been part of MSM Group. Since the beginning of its existence, the company has focused on the development and manufacturing of applications for AV15 lorry-mounted cranes and T-72 tanks (MT-72 armoured vehicle-launched bridge and VT-72 rescue tank). Over time, it engaged in the development of special technology and new BVP, OT and TATRAPAN vehicles. In 2005, the company completely switched to 3D CAD graphic stations, prepared the corporate management system and systems of certifications under internationally applicable EN ISO 9001, EN ISO 14001, OH SAS 18001 and AQAP 2010 management standards. When developing machines for road and highway maintenance, it created a programme for the development and manufacturing of industrial positioners, communication, armoured containers and defence technology, in the form of applications of TATRAPAN and RG32 vehicles and a new eight-wheel vehicle platform.

The year 2022 was very successful for VÝVOJ Martin. The company won tenders for overhaul and repairs of LPS (aeronautical telecommunication services) and air defence radar equipment for the Ministry of Defence of the Slovak Republic. VÝVOJ Martin also successfully produced 12 GBAD military containers for a Swedish customer, for whom it is developing further prototypes of military containers and EMC shielded generators. A contract has been signed for the delivery of dozens of new containers over the next two years.

VÝVOJ Martin has also become part of an international contract between Slovakia and Israel, for which it will develop and produce dozens of special RPU containers to serve the Slovak army. The company is also involved as an industrial partner in the 3D radar programme for the Slovak Army, supplying a 12-metre radar tower and RPU and TRS (Radar Power Unit & Technical Radar Shelter) containers. These containers will continue to be manufactured by the company in the coming year and will become part of the new 24m radar tower.

The year 2023 will be significant for VÝVOJ Martin with the construction of a second modular air traffic control tower for Senegal, and the continued development and production of new military containers for current and new partners.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	316	309	137	221	142	94	85	227
EBITDA[3]	CZK milion	46	27	11	56	-3	6	-37	-6
Total assets	CZK milion	159	175	219	321	422	309	418	345
Number of employees[2]	persons	95	79	77	106	92	45	79	83

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Slovak Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

CSG Ammo+

The CSG Ammo+ division comprises companies that are linked by ownership to the Italian company Fiocchi Munizioni. Besides Italy, it also operates in the United States and the United Kingdom.

The division's companies offer small-calibre ammunition for pistols, revolvers, rifles and shotguns in various price categories, including premium ammunition. Approximately 80 percent of production is directed to the civilian market, primarily to hunters and sport shooters (the "leisure segment"). The remaining 20 percent of production is intended for defence and security forces. Fiocchi has also established a division dedicated to the development and production of high-quality ammunition for extreme conditions for special forces. Fiocchi products are also known from the sports environment. The Fiocchi Group is a partner of a number of top athletes in the field of shooting sports and biathlon.

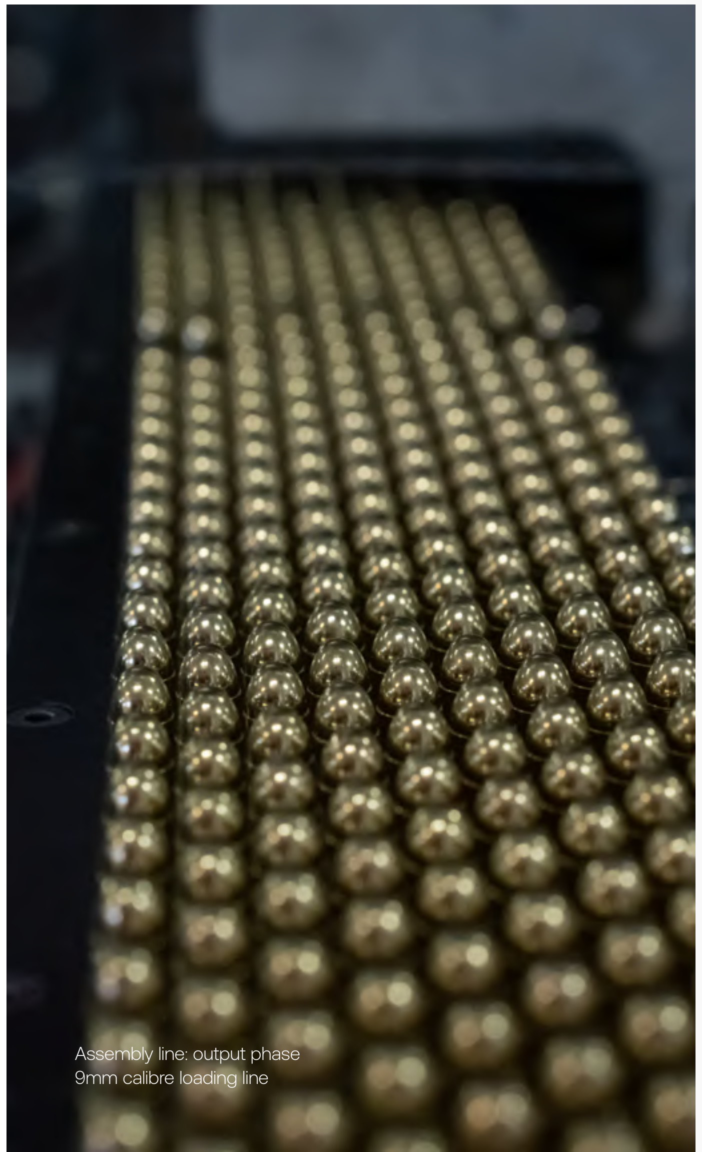
Fiocchi Munizioni S.p.A.
Fiocchi of America Inc.
Baschieri & Pellagri S.p.A.
Lyalvale Express Limited

Cartridge case with rifle bullets 30-06 Springfield EPN


Detail of cartridge case with
rifle bullets 30-06 Springfield EPN


Bullet feed: detail
of feeder calibre 9mm

Over-and-under rifle with hunting
bullets Fiocchi calibre 20 mm


Assembly line: output phase
9mm calibre loading line


Charging carbine with Fiocchi
bullets 30-06 Springfield EPN

Fiocchi Munizioni S.p.A.

Name	**Fiocchi Munizioni S.p.A.** [4]
Corporate ID	**LC 166990**
Registered office	**Via Santa Barbara, 4, 23900 Lecco LC, Italy**

Fiocchi Munizioni was founded in 1876 by Giulio Fiocchi and is the key company of the CSG Ammo+ division. It became part of the CSG Group in 2022, when CSG acquired a 70% interest in it. Based in Lecco, in the Lombardy region of northern Italy, the company has focused on the production of various types of small-calibre ammunition for over 140 years and is one of the world leaders in this segment. Fiocchi manufactures a complete range of small-calibre ammunition for pistols, rifles and shotguns, with approximately 85% of the company's total production intended for the civilian market. The remaining share is destined for the security forces. Thanks to its extensive production capacity, Fiocchi is able to meet the global demand and the company employs over 1,300 people on two continents.

In addition to Italy, Fiocchi has a wholly owned subsidiary in the United States, Fiocchi of America LLC. with two manufacturing facilities, namely in Ozark, Missouri, and Little Rock, Arkansas. The Ozark manufacturing facility was established in the 1980s as part of Fiocchi's expansion into the U.S. market. Together with the Little Rock location, which the company established in 2020, up to 80 percent of Fiocchi's ammunition for the U.S. market is now manufactured in the U.S. In addition to its U.S. manufacturing facilities, Fiocchi also owns Baschieri & Pellagri, an Italian company based in Bologna, and Lyalvale Express, a British company. All companies are also major supporters and sponsors of several successful athletes, including the world's top ten shotgun shooters, the Olympic medallist and World Biathlon Champion Dorothea Wierer, and the Italian Biathlon Association.

	Unit	2022[1]
Sales	CZK milion	4,816
EBITDA[3]	CZK milion	681
Total assets	CZK milion	5,273
Number of employees[2]	persons	824

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Italian Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.
[4] The company has been part of the CSG Group since November 2022

Fiocchi of America Inc.

Name	**Fiocchi of America Inc.** [4]
Corporate ID	**00250555**
Registered office	**6930 N Fremont Rd, Ozark, MO 65721**

Fiocchi has been operating in the United States since the 1980s, when it established its first manufacturing plant in Ozark, Missouri, as part of its expansion into the American market. As part of the activities aimed at accelerating growth in the American market, Fiocchi purchased a manufacturing plant in Little Rock, Arkansas. These two plants, integrated into the 100% owned subsidiary Fiocchi of America Inc., employ over three hundred people and generate more than half of the consolidated sales of the entire Fiocchi Group. The company produces a complete portfolio of shotgun, centrefire and small-calibre ammunition.

	Unit	2022[1]
Sales	CZK milion	4,677
EBITDA[3]	CZK milion	1,084
Total assets	CZK milion	3,290
Number of employees[2]	persons	323

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the US GAAP Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.
[4] The company has been part of the CSG Group since November 2022

Baschieri & Pellagri S.p.A.

Name	**Baschieri & Pellagri S.p.A. (Baschieri & Pellagri)** [4]
Corporate ID	**BO 115986**
Registered office	**Via del Frullo, 26, 40055 Marano di Castenaso, Bologna, Italy**

Baschieri & Pellagri was founded in Bologna in 1885 by Settimio Baschieri, a passionate hunter, and Guido Pellagri, a chemist whose experiments led to the production of smokeless gunpowder. The company, based in Bologna, Italy, was integrated into the Fiocchi Munizioni portfolio in 2020. Baschieri & Pellagri primarily produces premium shot ammunition for shooting sports and hunting, but also gunpowder, and is one of the world's elite manufacturers in this field. The company prides itself on the quality of its products and strives to continuously improve them and further develop its long-standing manufacturing tradition. The main goal for the company is to become the best and most reliable manufacturer and supplier of ammunition for sport shooters and hunters.

	Unit	2022[1]
Sales	CZK milion	1,432
EBITDA[3]	CZK milion	104
Total assets	CZK milion	737
Number of employees[2]	persons	103

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Italian Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.
[4] The company has been part of the CSG Group since November 2022

Lyalvale Express Limited

Name	**Lyalvale Express Limited (Lyalvale Express)** [4]
Corporate ID (UK)	**03485334**
Registered office	**Express Estate, Fisherwick Rd, Lichfield WS13 8XA, United Kingdom**

Lyalvale Express was founded in 1983 and became part of Fiocchi in 2022. The company, based in Lichfield near Birmingham, has been a leading UK manufacturer of a wide range of shotgun cartridges for 30 years. Thanks to the love and passion for shooting sports shared by Lyalvale Express employees, the company's products are manufactured with great precision - aiming to offer users the best possible performance, accuracy and ballistic properties.

	Unit	2022[1]
Sales	CZK milion	147
EBITDA[3]	CZK milion	31
Total assets	CZK milion	261
Number of employees[2]	persons	19

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the UK Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.
[4] The company has been part of the CSG Group since November 2022

CSG Automotive

The main company of the division is TATRA TRUCKS, one of the oldest car manufacturers in the world with over 170 years of vehicle manufacturing tradition.

All TATRA wheeled vehicles, with a unique chassis design based on a central spine tube with independently suspended swing semi-axles and 4x4 to 16x16 chassis configurations, serve customers in the civil and security sectors worldwide. Another member of the division is the TRUCK SERVICE GROUP. It manufactures and develops trucks and specialised vehicles for the military, construction, mining, forestry, agriculture, and fire service. Civilian production is mainly represented by the TATRA PHOENIX range, while special and military production is represented by the TATRA FORCE and TATRA TACTIC ranges. TRUCK SERVICE GROUP is a certified partner of the TATRA TRUCKS production plant.

TATRA TRUCKS a.s.
TATRA METALURGIE a.s.
TRUCK SERVICE GROUP s.r.o.

Unique Tatra chassis concept has been developed for more than 100 years

TATRA PHOENIX 8x8 as a hook loader
The vehicle is equipped with an armoured cab

TATRA vehicles have been manufactured
for more than 170 years in Kopřivnice

The cab of the vehicle is newly
developed in collaboration with TDV

Modern cabin interior,
based on the civilian version

TATRA TERRA 4x4 in version
CAS 20 for the Fire Brigade


Assembly of Tatra vehicles


Diagnostics of Tatra vehicles

TATRA TRUCKS a.s.

Name	**TATRA TRUCKS a.s. (TATRA TRUCKS)**
Corporate ID	**014 82 840**
Registered office	**Areál Tatry 1450/1, 742 21 Kopřivnice, Czech Republic**

TATRA TRUCKS, based in Kopřivnice, is one of the oldest car manufacturers in the world and the largest manufacturer of trucks and utility vehicles in the Czech Republic. The CSG holding holds 65% of the entity, 35% is part of the Promet Group holding. In 2022, the car manufacturer celebrated 172 years of its existence. In recent decades, it has focused primarily on the production of medium and heavy category trucks, the vast majority of which are built on a unique TATRA chassis with a central load-bearing tube and independently suspended swinging half-axles. A significant asset of TATRA TRUCKS is the ability to produce highly specialised vehicles designed in line with customers' requirements; this applies to small series as well. This production complements the serial production of standard model series.

Currently, TATRA TRUCKS has four model series of vehicles in its portfolio. Tatra Force is designed primarily for armed forces, firefighters and rescuers; but it can be also used in the mining industry and other areas. The main pillar of the civil programme is the Tatra Phoenix model series, which is aimed at customers in the areas of construction, agriculture, forestry, road maintenance, technical services etc. Tatra Tactic is intended primarily for armed forces, and the fourth model series, Tatra Terra, is intended mainly for the Integrated Rescue System units.

TATRA TRUCKS additionally cooperates with the entities in the CSG holding and other partners on the development and manufacturing of military and special vehicles which use Tatra chassis. TATRA TRUCKS exports its products to dozens of countries in almost all continents. The principal markets are the Czech Republic and Slovakia, other major markets include India, Saudi Arabia, Indonesia, Belgium, Germany, France, Poland, Ukraine, Israel and many other countries. In 2022, TATRA TRUCKS produced dozens more cars than in 2021. In total, it delivered 1,326 cars to customers in 2022, with plans to increase to 2,000 cars per year in the coming years.

TATRA TRUCKS started delivering vehicles in 2022 in cooperation with DAF Trucks and Tatra Defence Vehicle (TDV) as part of an order for nearly 900 logistics vehicles for the Belgian army. In addition, it has begun fulfilling an order for 76 firefighting specials for the Bundeswehr. Deliveries of these vehicles will continue this year. The second half of the year also saw very important orders for nearly three hundred TATRA vehicles for the Czech Army, with TATRA TRUCKS promptly delivering 200 vehicles to the Czech Army by the end of 2022; contract performance will continue in 2023 and 2024.

In 2022, the development of a new generation of the Tatra Phoenix model range, enabling the use of telematics and DAF assistance systems, was also launched, and prototype tests with a new cab for the Tatra Force model range were also started. Last year, the car manufacturer completed a concept design for a hydrogen fuel cell truck, with a prototype expected to be unveiled in the second half of 2023. In 2022, TATRA TRUCKS has also started working on a hybrid vehicle with a Tatra engine and generator, a battery vehicle with an internal combustion engine as a range extender, and a hydrogen-burning engine in cooperation with the Czech Technical University. Highlights of 2022 included the completion of the 10,000th anniversary truck since the current Czech owners took over the car manufacturer in 2013. The car manufacturer also opened a new service and training centre for customers in September 2022.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	3,724	4,705	5,704	3,801	5,882	5,505	5,310	7,461
EBITDA[3]	CZK milion	446	547	646	-69	364	485	385	501
Total assets	CZK milion	3,734	5,043	5,706	4,985	5,745	5,569	6,065	6,468
Number of employees[2]	persons	856	1,007	1,192	1,101	1,106	1,107	1,136	1,284

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards

[2] Number of employees as of 31 December of the relevant year

[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

TATRA METALURGIE a.s.

Name **TATRA METALURGIE a.s. (TATRA METALURGIE)**
Corporate ID **036 67 952**
Registered office **Areál Tatry 1448 / 5, 742 21 Kopřivnice, Czech Republic**

TATRA METALURGIE, a subsidiary of the car manufacturer TATRA TRUCKS, builds on the tradition of foundry and forge production in Kopřivnice. The year 2023 will mark the 170th anniversary of the first blacksmith shop established in this town. Currently, castings and forged pieces are used by the parent company TATRA TRUCKS, but also by many other local and foreign customers. Cast iron, steel and aluminium castings (from 1 to 400 kg) and forgings (from 0.5 to 60 kg) produced at TATRA METALURGIE can be found in many sectors of European industry.

In 2022, the investment project of the foundry de-dusting was fully developed by starting the construction modifications and pre-acceptance of the main technologies. The new moulding and melting shop is scheduled to start up in the second half of 2023. Like all other companies, TATRA METALURGIE was also very intensely affected during 2022 by the continuing rise in energy and material prices, which started in 2021 and peaked at unprecedented levels in 2022. These influences undoubtedly significantly contributed to the market cooling at the end of 2022. In 2023, we can expect a stabilisation of the situation on the raw materials and energy markets and a gradual return to the values prior to the outbreak of the conflict in Ukraine.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion		1,052	1,142	946	1,067	903	1,171	1,736
EBITDA[3]	CZK milion		52	53	-112	33	26	45	116
Total assets	CZK milion		1,013	1,184	1,133	1,076	1,061	1,319	1,618
Number of employees[2]	persons		599	644	600	560	545	588	580

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

TRUCK SERVICE GROUP s.r.o.

Name **TRUCK SERVICE GROUP s.r.o. (TRUCK SERVICE GROUP)**
Corporate ID **601 10 759**
Registered office **Tovární 1553, 535 01 Přelouč, Czech Republic**

TRUCK SERVICE GROUP was formed in May 2019 by a name change from EXCALIBUR TRADE, spol. s r.o., which engaged in the sale of equipment of the Czech Army. The change of the name arose from the new strategy and vision. The company added other activities to the existing sales of military equipment and technology, namely the sale of spare parts and the sale, service and rental of TATRA vehicles. In order to improve the quality of its services, TRUCK SERVICE GROUP has been an authorised service provider of TATRA TRUCKS a.s. since 2020. Since then, the company has repaired nearly a hundred TATRA vehicles, predominantly T 815. In addition, the Company is authorised to provide maintenance services and repairs of HIAB and MULTILIFT lifting equipment. This involves maintenance and repairs of hydraulic cranes, carriers and container reloaders. The company's main customers include the Army of the Czech Republic, the Ministry of Defence of the Czech Republic, IRS units, state enterprises and private entities. Since 2020, the company has been providing the RENTAL service, i.e. the rental of TATRA TRUCKS, both to legal entities and individuals, as well as to small entrepreneurs.

In 2022, the company focused mainly on securing existing services and fulfilling its set strategy and vision. Despite geopolitical complications, TRUCK SERVICE GROUP managed to secure its supply chain and properly meet its commitments to customers. In addition to the above-mentioned activities and operations, the company has concluded a contract for the supply of forest trucks. This order represents the largest individual contract the company has ever concluded in its history.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion						101	72	186
EBITDA[3]	CZK milion						2	7	33
Total assets	CZK milion						88	85	92
Number of employees[2]	persons						23	19	23

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

CSG Rail

DAKO-CZ is the main company of the CSG Rail division. The company supplies braking systems and components to leading rail vehicle manufacturers such as Siemens and Stadler.

Rolling stock equipped with DAKO braking systems and components is operated not only in Europe, but also in China, India, Malaysia, Indonesia, Algeria and Saudi Arabia. DAKO-CZ is one of the three largest European manufacturers of pneumatic electromechanical and hydraulic braking systems and components for rolling stock. The company's core business is the development, manufacture and service of DAKO braking systems and components and their supply for rail freight cars, passenger cars, commuter units, locomotives, maintenance cars, metro trains and trams. DAKO-CZ has its own development and modern testing laboratory. All this enables the company to respond quickly to customer requirements. DAKO-CZ continues a tradition spanning over two centuries and focuses primarily on the quality of the products delivered.

DAKO-CZ, a.s.

Integrated jaw brake unit DAKO ITBL,
built into the chassis of the freight wagon

Assembly of the pneumatic brake panel
DAKO, intended for the Indian Railways

View of the storage
area of DAKO-CZ

Close-up of the remoteness setter,
manufactured by TRANSELCO-CZ

Brake cylinder with self-alignment
remoteness setter for freight wagons

DAKO hydraulic brake unit for trams
29T3 of Škoda Transportation

Assembly of the pneumatic brake panel

Grinding of components

DAKO-CZ, a.s.

Name	**DAKO-CZ, a.s. (DAKO-CZ)**
Corporate ID	**465 05 091**
Registered office	**Josefa Daňka 1956, 538 43 Třemošnice, Czech Republic**

DAKO-CZ is a manufacturer of pneumatic, electromechanical and hydraulic brake systems and components for rolling stock with the manufacturing tradition of 207 years. In 2008, the company became part of the group of Czechoslovak industrial companies owned by Jaroslav Strnad, who later formed the industrial and technological CSG Group. Brakes and components are supplied by DAKO-CZ to railway wagons and railway passenger cars, suburban train units, locomotives and subway carriages and trams. Key customers include leading global manufacturers of rolling stock such as ŠKODA GROUP, VTG, TATRAVAGÓNKA POPRAD, ČESKÉ DRÁHY, STADLER, SIEMENS, and MODERTRANS POZNAŇ. The rolling stock with brake systems and components from DAKO is operated in Europe as well as China, India, Malaysia, Indonesia, Algeria, Saudi Arabia, Slovenia, Poland and Egypt. In addition to the manufacture, DAKO-CZ engages in the development of brake systems and components and their subsequent servicing. In 2022, the company opened development offices in Pardubice and Ostrava.

In 2022, the company won several interesting projects from Stadler, including the supply of brake panels for 14-2 car sets of the Huawei project, which is destined for the Huawei campus at Dianshan Lake, Qingpu District, and the supply of brake panels for 11-3 car sets of Flirt 3 units to the Netherlands. A project to supply brake components for the legendary Tatra cog and multi-function locomotive fitted with a plough brake panel was successfully completed. The company has concluded several projects with the Siemens Group, including the supply of brake components for a platform of high-floor trams with a passive braking system with central hydraulic braking, the supply of brake components for a further 20-7 passenger car sets for the Austrian Railways (ÖBB) and a project to supply brake components for 18-6 Munich subway car sets (SWM). In freight transport, the company carried out several projects with Tatravagonka Poprad and modernised 250 double-axle wagons of VTG. DAKO-CZ presented a globally unique solution in the field of braking systems at the InnoTrans world fair in Berlin and opened two joint ventures in India with strategic partners MEDHA DAKO-CZ Ltd. and JWL DAKO-CZ India Ltd.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	837	905	738	927	1,144	1,269	1,566	2,212
EBITDA[3]	CZK milion	137	127	84	150	201	252	392	466
Total assets	CZK milion	850	885	819	901	1,045	1,236	1,834	2,355
Number of employees[2]	persons	481	473	467	469	476	528	568	640

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

CSG Business Projects

The CSG Business Projects division includes companies that do not fall into any of CSG's core business areas. Nevertheless, they have strong potential or represent an interesting business opportunity.

ELTON hodinářská, a manufacturer of traditional PRIM watches with a history dating back to 1949, is a long-standing member of this division. In 2020, the IVF Prague Fertility Center was incorporated into this division. The number of companies included in this division may change dynamically. The companies in this division share an interesting story, a strong business potential and CSG intends to further develop them. Compared to other companies from specialised divisions, there is a possibility of long-term development of companies in this division and also the possibility of selling them if there is an interesting offer.

ELTON hodinářská, a.s.
KARBOX s.r.o.
EXCALIBUR INTERNATIONAL a.s.
Prague Fertility Centre s.r.o.

The highest product line of PRIM MANUFACTURE 1949 watches is equipped with an in-house clockwork

Emergency Survival Container in the service of the State Administration Material Reserves Administration. It serves for short-term and quick provision of emergency care to the population affected by an extraordinary event.

Our laboratory is one of the largest and most modern in the region

Average number of pieces per one clockwork is 130 (depending on the type of caliber), most parts are manufactured in-house

By producing our own clockworks, significant limited editions and a history since 1949, the ELTON hodinářská is an exceptional manufacture not only in Europe, but also in the world

We take pride in individual and empathic approach. Patients have at their disposal a personal coordinator to guide them through the entire treatment.

ELTON hodinářská, a. s.

Name	**ELTON hodinářská, a. s. (ELTON hodinářská)**
Corporate ID	**259 31 474**
Registered office	**Náchodská 2105, 549 01 Nové Město nad Metují, Czech Republic**

ELTON hodinářská is a traditional manufacturer of the PRIM wristwatch. It builds on the rich history of watchmaking in Nové Město nad Metují, which dates back to 1949. The company has been a member of the CSG Group since 2016. Nowadays, the company manufactures small series of mostly mechanical watches which are produced almost completely in the premises of the manufactory, including the movements of its own design. Further, the company manufactures watches with cases made of precious metals and less common materials such as bronze, titanium or damask. In addition to mechanical watches with their own movements, the company produces models with installed high-quality foreign mechanical and quartz movements. The most popular among customers are iconic models based on historical production. Limited editions inspired by personalities, moments and milestones of Czech history are gaining popularity as well. A special category are the "aviation" models.

Demanding customers who prefer Czech products seek out those from ELTON hodinářská, whether they are collectors or fans of quality handmade products. In addition to wristwatches, the ELTON watch portfolio also includes luxury wall clocks and a wide range of watchmaking supplies. The company also carries out certified professional renovations of some historical PRIM watch models. In 2022, ELTON hodinářská has prepared a number of successful product innovations. Special editions, mostly sold out within a very short period of time, were the focus of production. The most interesting product of the year was the "PRIM NEBEŠTÍ JEZDCI LE" limited edition, created as a tribute to the members of the RAF squadrons and to celebrate the 100th birthday of one of them – Filip Jánský and his book Nebeští jezdci (Riders in the Sky). The tradition and prestige of the company are reflected in its cooperation with important representatives of Czech industry, science and culture, such as the Charles University, Czech Railways, the Tomáš Baťa Foundation and, last but not least, with other companies in the CSG Group.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	31	48	53	56	59	55	82	98
EBITDA[3]	CZK milion	13	8	3	-5	4	5	10	12
Total assets	CZK milion	162	92	98	104	107	97	102	107
Number of employees[2]	persons	47	57	67	66	63	62	62	65

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

KARBOX s.r.o.

Name	**KARBOX s.r.o. (KARBOX)**
Corporate ID	**260 02 370**
Registered office	**Tovární 1553, 535 01 Přelouč, Czech Republic**

KARBOX is a leading Czech producer of containers and box superstructures for military and civilian customers. The tradition of the company dates back to 1960. Currently, it primarily focuses on the design, production and repairs of certified ISO containers. KARBOX specialises in the manufacture and servicing of custom-built containers that are primarily designed for military use. In addition, the company supplied special workshop container bodies for TATRA TRUCKS a.s. in 2022. The company's portfolio also includes logistics, control, medical, storage and communication containers. The products of KARBOX are delivered, at the customer's request, in the form of freestanding containers or fixed bodies on the chassis of various brands of vehicles. The company is now also working on a container solution, which will allow the customer to move the container from the vehicle chassis directly onto the railway car.

The company has its own expanding design and development department, which carries out projects from initial design to production documentation, including strength and energy calculations. In 2022, the company completed work on a development project in the field of firefighting technology for the Czech Army. In cooperation with the Czech Technical University in Prague (CTU), the company is also working on the development project S.A.W.E.R. (an autonomous system for obtaining water by condensation from air). The company's main customers include TATRA TRUCKS a.s., the Czech Army, the Ministry of Defence of the Czech Republic and the Military Technical Institute, s.p.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	207	113	70	88	45	152	75	180
EBITDA[3]	CZK milion	11	-14	-31	-41	-19	7	6	20
Total assets	CZK milion	119	146	95	62	194	133	72	97
Number of employees[2]	persons	105	95	75	73	6	9	15	15

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

EXCALIBUR INTERNATIONAL a.s.

Name	**EXCALIBUR INTERNATIONAL a.s. (EXCALIBUR INTERNATIONAL)**
Corporate ID	**292 89 688**
Registered office	**Sokolovská 675/9, 186 00 Prague 8 – Karlín, Czech Republic**

EXCALIBUR INTERNATIONAL is an export agency of CZECHOSLOVAK GROUP. It represents a comprehensive portfolio of products and services of the CSG Group and its partners. The company has operated in the holding since 2015 and it primarily focuses on large international projects. Thanks to the broad portfolio of products and services and its extensive network of business partners, EXCALIBUR INTERNATIONAL acts as a coordinator of comprehensive projects and tenders. Whether it supplies army material, TATRA TRUCKS made to measure, flight training of helicopter pilots or state-of-the-art radar technologies, the core value of the company is to satisfy the requirements of its customers. EXCALIBUR INTERNATIONAL focuses on business opportunities especially in the areas of ground and aerospace technology, defence industry and radar technology. Dozens of experts who have been working in the field of international business for many years cover projects from the design of the solution itself to the delivery and after-sales service. The company represents more than 60 Czech, Slovak and foreign companies and operates in more than 40 countries worldwide.

In 2022, EXCALIBUR INTERNATIONAL continued its successful tradition of participation in the world's leading defence industry trade fairs. The most important event was undoubtedly the INDO DEFENSE EXPO & FORUM, held in Jakarta, Indonesia, in November. The participation of CSG Group companies confirmed good mutual relations and the importance of this country for our company with regard to the volume of orders exceeding CZK 10 billion that the holding currently has in Indonesia, as well as the enormous future potential. EXCALIBUR INTERNATIONAL will continue its proactive approach to business opportunities and partnerships, whether new or existing, in 2023 to achieve its ambitious goals and continue to build its international reputation.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion	0,8	208	76	1,208	1,383	3,003	1,685	1,103
EBITDA[3]	CZK milion	-5	62	16	119	89	238	184	381
Total assets	CZK milion	4	115	253	802	2,203	2,364	1,314	2,094
Number of employees[2]	persons	3	6	21	10	8	24	22	31

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

Prague Fertility Centre s.r.o.

Name	**Prague Fertility Centre s.r.o. (Prague Fertility Centre)**
Corporate ID	**289 56 095**
Registered office	**Sokolovská 810/304, 190 00 Prague 9, Czech Republic**

Since its incorporation in 2009, the Prague Fertility Centre has focused on infertility treatment for domestic and foreign couples. CSG Group entered the company in the fall of 2020 and acquired majority control of the company in February 2021. Assisted reproductive technology is a dynamic and growing field that helps couples face the rising incidence of infertility and which also reflects current social trends in later-life family planning.

The Czech Republic is one of the most popular destinations for fertility tourism, or the trend of travelling for quality and affordable fertility treatment. That is why half of the patients are foreign clients. The company's team of more than 50 employees provides care to 2,000 couples per year. The clinic offers its services in 12 languages and focuses on clients whose previous treatment has been unsuccessful or who cannot be treated in their home country. The company has state-of-the-art laboratory and surgical facilities and increased its turnover by 15% in 2022 compared to the previous period. At the same time, it has implemented steps for its further development.

	Unit	2015	2016	2017	2018	2019	2020	2021	2022[1]
Sales	CZK milion						136	157	181
EBITDA[3]	CZK milion						39	28	25
Total assets	CZK milion						74	84	108
Number of employees[2]	persons						54	55	51

[1] The data for 2022 are unaudited preliminary data of the company in accordance with the Czech Accounting Standards
[2] Number of employees as of 31 December of the relevant year
[3] According to the internal management methodology of CZECHOSLOVAK GROUP a.s.

Focused on safety

Braking a tram full of passengers or a train with a valuable cargo must operate with the absolute safety that comes with quality braking systems from the company DAKO-CZ.

Research and Development

Entities in the CSG Group place great emphasis on remaining competitive on Czech as well as global markets, which results in the need for continuous improvement of their product portfolios. Considerable effort is therefore put in research and development every year.

CSG Aerospace Division

The issue of research and development, especially from a corporate perspective, including the effective use of its results in innovation, is a key aspect for CSG Aerospace, which will determine the success of individual companies' efforts to become leading global players in the coming years.

The division fully recognises the importance of innovation and is placing increased emphasis on it. This demonstrated commitment is the key to launching and sustaining our own development initiatives. We have focused on developing cooperation with research universities in the Czech Republic, with the aim of purposefully transferring new knowledge towards the defence industry and strengthening mutually effective cooperation. This included in particular the University of Pardubice and the University of Mining and Metallurgy - Technical University of Ostrava.

Selected innovative projects in the CSG Aerospace division:

CS-SOFT is working on a system using artificial intelligence to automatically detect anomalies in software application log data.

ATRAK is developing a product based on interconnected systems that will offer a comprehensive solution to support drone management in UTM and ATM.

ELDIS is proposing to install a new function in its primary radars to identify and track unmanned reconnaissance assets separately from manned aircraft.

RETIA is developing a combat vehicle information system. By introducing it into a terminal that is subject to the NATO Generic Vehicle Architecture (NGVA) standard, a standardised element can be obtained for use in vehicle platforms that have developed a standardised NGVA interface.

JOB AIR Technic and CS SOFT have been involved in the development and implementation of the Job Air Technic Information System (JATIS) as an advanced daily task scheduling system for production, considering many constraints. An important part of the system will be the use of artificial intelligence to enable automated improvement of its predictive capabilities.

In 2022, CS SOFT continued the development of the ESUP NG system. This brings a significant innovation in technology that will allow deployment not only in the traditional manner on the customer's HW, but also in the cloud environment, including the possibility of providing the system as a service. In 2022, version 1.0 was completed, and the development of version 1.1 started. State-of-the-art architecture based on microservices attracted the attention of foreign partners and air navigation service providers (ANSP).

CSG Defence Division

At the Eurosatory exhibition in 2022, EXCALIBUR ARMY presented a prototype of the Morana

self-propelled howitzer of 155 mm calibre with a barrel length of 52 calibre, which is integrated on a special Tatra wheeled chassis with very high stability for driving and firing. The howitzer superstructure itself is designed as a separate unit, which can be universally mounted on various types of wheeled vehicle chassis according to the customer's requirements, provided that several technical conditions are met. The development of the howitzer continues in 2023 and is co-funded by the European Union.

In the past year, EXCALIBUR ARMY has also worked on the development of a continuously variable transmission that can be integrated into trucks for various types of applications (firefighting, cargo, rescue, special body, municipal, forestry, and agricultural, military, etc.). It is designed for engines with an output of 300-450 kW, and the project, which continues in 2023 and is also co-funded by the European Union, also includes the development the software and control method of the transmission.

TATRA DEFENCE VEHICLE (TDV) is also the main integrator of the TITUS armoured vehicle project for the Czech Army, on which it cooperates with TATRA TRUCKS, RETIA, the French corporation Nexter Systems and other Czech and foreign companies. In 2022, the development of three versions of these vehicles was completed, and comprehensive tests of all TITUS prototypes were carried out, and in 2023 and beyond, the production of these armoured vehicles for the Czech armed forces will be a key part of TDV's production capacity. TDV is also engaged in the development, design and production of armoured cabins for vehicles produced by TATRA TRUCKS as well as the development and production of armoured vehicles on Tatra chassis. In 2021, TDV, together with its partner TATRA TRUCKS and DAF Trucks, was awarded a major contract for the Belgian army. The fulfilment of the contract began in 2022, when vehicle tests were completed, and the first production units were handed over to the customer. Based on this order, TDV will produce armoured cabins for these vehicles from in-house development until 2025. In addition, TDV is involved in tank repairs in close cooperation with EXCALIBUR ARMY and provides service for off-road vehicles on Toyota and Land Rover Defender chassis.

CSG Automotive Division

The key activity of TATRA TRUCKS in 2022 was the continued development of its own hydrogen propulsion system consisting of fuel cells and an electric motor for Tatra Force vehicles. This is a joint project between TATRA and ÚJV Řež. The development is continuing in 2023, and it is planned that the Tatra Force hydrogen prototype should be ready for the installation of hydrogen fuel cells in mid-2023. TATRA TRUCKS has also started working on a project for a hybrid vehicle with a Tatra engine and a generator or a battery vehicle with an internal combustion engine as a range extender, and, in cooperation with the Czech Technical University, a hydrogen-burning Tatra engine.

In 2022, the development of a new cabin for the Tatra Force model range continued, which will replace the existing Force and Terra cabins in the future and allow the deployment of telematics and assistance systems. In the second half of 2022, testing of the first prototypes of Tatra Force vehicles with the new cabin began. In 2022, the development of the new generation Tatra Phoenix cabin was launched in cooperation with DAF, enabling it to meet all future requirements in terms of comfort, safety and operational efficiency.

CSG Rail Division

In 2022, tests of a lightweight beam brake for freight cars were successfully completed by the railroad car operator.

In Egypt, tests of the brake components for the passenger coaches we supplied to the Spanish manufacturer Talgo were carried out, and in December the first train was successfully handed over to the end customer for operation. During the past year, tests were carried out on Prague metro cars equipped with DAKO prototype brake units. A high-speed brake was used for this project, where the speed of the disc is comparable to high-speed units such as the TGV. After their successful completion, the car was approved for passenger operation. We successfully completed the acceptance of the first brake components for the London Underground project, on which we are working with our long-term customer Siemens Mobility. In 2022, development work began on a new generation of brake clearance adjuster and an electromechanical brake unit for suburban units. During the year, development of brake components for special car-carriers began.

In the field of hydraulics, the development of electromechanical brakes for rolling stock is also in progress. Design work has been started on a project to supply electromechanical brake units with emergency braking function with the iRB-05 control unit. This braking system will be implemented on trams in Woltersdorf, a municipality near Berlin. We have started work on a combined unit for the hydraulic braking system, which has the advantage of combining the possibility of electric and manual emergency braking into one device. We continue to develop a telemetric system for freight cars, which includes the monitoring of the necessary variables from the braking system during regular operation and their subsequent analysis and evaluation of test runs, or, more precisely, the measured real data.

Corporate Governance Statement of the CSG Group

The following is provided in accordance with Section 118 (4) of Act No. 256/2004 Coll., on Capital Market Undertakings:

- information on CSG's corporate governance codes, which are binding for the Group or voluntarily adhered to by the Group and which can be consulted at the CSG's registered office, is contained in section "Corporate Governance Strategy of the CSG Group";
- CSG Group companies do not apply corporate governance practices outside the scope of the above Act;
- a description of the rights associated with shares representing an interest in the issuer is contained in section "CZECHOSLOVAK GROUP"
- a description of the main parameters of the internal control and risk management systems in relation to the financial reporting process is contained in section "Corporate Governance Strategy of the CSG Group";
- description of the composition and decision-making procedures of the Company's management and supervisory bodies is contained in section "Administrative, Management and Supervisory Bodies of CSG";
- a description of the decision-making procedures and the basic scope of the powers of the Company's General Meeting of Shareholders is contained in section "Administrative, Management and Supervisory Bodies of CSG";
- a description of the CSG Group's diversity policy is contained in section "Corporate Governance Strategy of the CSG Group" of this Annual Report.

Fee to the Audit Firm

The total fees paid to the audit firm and its related parties in 2022 and 2021 were as follows:

CZK thousand	**Year ended 31 December 2022**		**Year ended 31 December 2021**	
	Consolidated group	Of which parent company	Consolidated group	Of which parent company
Statutory audit	30,712	6,065	20,742	4,878
Other assurance services	38	—	1,570	1,411
Tax advisory	120	60	250	64
Other services	460	—	1,282	—
Total	**31,330**	**6,125**	**23,844**	**6,353**

Focused on safety

TDV's domain is the development and manufacture of cabs that protect their users from heat, explosions, gunfire, smoke, and even weapons of mass destruction.

Risk Factors

Financial Risks

Financial risk management at CSG and the CSG Group focuses on financial risks arising from financial instruments which CSG and the CSG Group are exposed to as a result of their activities. Financial risks predominantly include the credit risk, liquidity risk, currency risk and interest rate risk. Financial risk management principally aims to define risk limits, ensuring that exposure to those risks remains within the set limits.

The risks to which CSG and the CSG Group are exposed are supervised in line with the CSG Group's policies for market risk management. Concurrently, supervision is also performed by way of decision-making at the level of top management of CSG and subsidiaries in individual business areas based on reporting as well as by decisions of the statutory body of CSG or subsidiaries. CSG and the CSG Group use (and intend to do so) derivative financial instruments to reduce the above-specified risks, primarily the currency and exchange rate risks.

Credit Risk

Credit risk relates to the potential inability of CSG's and the CSG Group's debtors to settle their debts arising from financial and business relations. It may result in financial losses for CSG and the CSG Group. Due to the holding character of CSG, this risk is at minimum at this level. The CSG Group has rules in place under which all new customers requiring products or services exceeding a certain limit (based on the size and nature of the specific subsidiary) are analysed using an individual credit rating before the subsidiary's standard payment and delivery terms are offered.

As of 31 December 2022, trade and other receivables and other assets amounted to CZK 7,208,973 thousand (net) (31 December 2021: CZK 3,910,241 thousand). This amount includes the following figures in the consolidated statement of financial position: trade and other long-term receivables, long-term prepayments made, accruals and deferrals, trade and other short-term receivables, short-term prepayments made and accruals and deferrals. As of 31 December 2022 and 31 December 2021, the maximum value of the credit risks corresponds to the net book value of individual financial assets, whereby CSG also declares that no major concentration of credit risk exists in respect of a single business entity.

The CSG Group creates provisions against the impairment of assets, which represent estimated losses arising from trade and other receivables. Those provisions principally consist of major components as follows: specific losses relating to individual major receivables and collective losses determined for groups of similar assets in relation to losses that have incurred but have not yet been identified. Tolerance for collective losses is determined based on historical data according to payment statistics for similar financial assets. The CSG Group believes that the amounts for which no provisions have been created remain to be collectible.

Despite all of the CSG Group's measures intended to mitigate the impacts of the credit risk, default of the CSG Group's counterparties may result in losses with adverse impacts on our CSG Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Liquidity Risk

The main goal of managing liquidity risk is to reduce the probability that the CSG Group will be short of resources to settle its debts, working capital and capital expenses to which it has committed. Liquidity management of the CSG Group aims to secure resources that will always be available to settle the debts as they fall due.

The CSG Group has set the system of monitoring income and expenses several months in advance, following the issued purchase orders and received invoices as well as received and confirmed orders and issued invoices and other concluded agreements (leases, insurance, loans), anticipated wages, etc. Expenses are regulated to ensure that the financial resources to settle debts to the state and health insurance companies, wages and debts to banks are on the account in advance in an amount corresponding the payment for 1-2 months.

Despite all of the CSG Group's measures taken to mitigate the impacts of the liquidity risk, potential lack of available resources may have adverse effects on the CSG Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Risk of Interest Rate Fluctuations

The CSG Group's business activity is exposed to the risk of interest rate fluctuations where interest-bearing assets (including investments) and liabilities fall due or are remeasured in different times or to different amounts. The period over which the interest rate of the financial asset is fixed indicates the extent of the interest rate risk to which the instrument is exposed.

Various types of derivative instruments used for decreasing due amounts exposed to interest rate fluctuations and for decreasing the costs of borrowings primarily include interest rate swaps. These agreements are usually arranged with a nominal value and expiration date that is lower than or equal to the underlying debt, which is why any change in the fair value or anticipated future cash flows arising from those agreements is compensated by a corresponding change in the fair value or anticipated future cash flows from the underlying position.

Despite all of the measures, it is impossible to rule out losses arising from unfavourable interest rate fluctuations which may have adverse effects on the CSG Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Risk of Foreign Exchange Rate Fluctuations

The CSG Group is exposed to the fluctuations of the current foreign exchange rates affecting the Group's financial position and its cash flows.

The CSG Group is facing currency risk in respect of sales, purchases and borrowings denominated in currencies other than the functional currencies of CSG Group entities; this principally relates to the euro and US dollar for Czech subsidiaries and the US dollar and Czech crown for Slovak subsidiaries.

Various types of derivative instruments, such as currency swaps with maturity of one month up to five years, are used to mitigate the currency risk for assets, debts and anticipated future cash flows denominated in foreign currencies. These contracts are usually arranged with the nominal value and expiration date which are identical to that of the underlying debt or anticipated cash flows. Any change in the fair value or future cash flows from those agreements arising from a potential appreciation or depreciation of the Czech crown to other currencies is fully compensated by a corresponding change in the fair value and/or anticipated future cash flows from the underlying position.

With regard to financial assets and liabilities denominated in foreign currencies, CSG implements a currency risk management system within the Group to ensure that the net exposure is reduced to an acceptable level of purchases or sales of foreign currencies for spot exchange rates when temporary imbalance has to be addressed. Since 2022, the Group has strived to eliminate this risk to a greater extent by natural hedging, converting part of the liabilities into euros during the year, which thus naturally covers the income in euros; the remaining amount is covered using the above-mentioned derivatives, primarily forwards.

Despite the measures taken, it is impossible to rule out losses arising from unfavourable foreign exchange rate fluctuations which may have adverse effects on the CSG Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

A) Operational Risks

Competition risk
CSG and its subsidiaries operate in the areas of aerospace, automotive, railway and defence industries and participate in competition. For this reason, they have to respond flexibly to the changing situation on the market, competitors' behaviour and client requirements. In the environment of strong competition, the CSG Group might not be able to address the competitive environment as appropriate, which could deteriorate the economic condition of CSG or the CSG Group and, ultimately, have adverse impacts on CSG's solvency.

Risk of changes in the ownership structures of CSG and entities in the CSG Group
Although CSG is not aware of plans for any changes in the ownership structure, it cannot be entirely ruled out that such changes may occur. Besides, any change in the Group's shareholders or owners (or their equity invest-

ments) may cause a change in the CSG Group's control and strategy that may have other than the current goals. These changes may affect the economic results of the CSG Group.

Risk of insolvency proceedings
Act No. 182/2006 Coll., on Insolvency and Possible Solutions Thereto (the "Insolvency Act"), stipulates that a debtor is insolvent when it has several creditors and financial debts past their due dates by more than 30 days and is unable to settle those debts or is over-indebted. The insolvency proceedings may only commence upon an insolvency petition filed by the debtor or its creditor. In the event of an imminent insolvency, the insolvency petition may only be filed by the debtor.

Despite certain measures to prevent unsubstantiated and unjustified insolvency petitions, it cannot be ruled out that such petitions will not be filed. Insolvency proceedings commence by a court ordinance no later than within two hours after the insolvency petition has been delivered to the court. From the publication of the ordinance until the court decision concerning the insolvency petition (unless the court decides otherwise), the debtor is obliged to refrain from handling the debtor's estate and assets that may be part of it if this involves major changes in the composition, use or determination of those assets or their reduction which is not of an insignificant nature. Pursuant to the Insolvency Act, the court will issue a decision on an insolvency petition filed by third parties without any undue delay; a more-specific deadline for issuing the decision is not stipulated by law.

Although the constrains related to handling the debtor's estate do not include, among other things, acts which are necessary for operating an enterprise as part of ordinary business activity or for averting imminent damage, it cannot be ruled out that if an unsubstantiated insolvency petition is filed in respect of CSG, it will result in CSG being unable to handle its property for an indefinite time period. This could adversely affect its financial situation and business results.

Risk concerning the legal, regulatory and tax environment in the Czech Republic
The CSG Group is governed by a variety of laws and regulations. The legal, regulatory and tax environment in the Czech Republic is however frequently modified; consequently, the application of legislation by courts and public bodies may not always be uniform. Amendments to legislation and interpretation changes may have adverse impacts on CSG's future operation and financial outlooks. Changes in legal regulations cannot always be foreseen and any such change could have an adverse impact on the Group's business activity. Modification of tax documents, primarily an increase in direct or indirect taxes and introducing a new tax liability, changes in the practice applied by the taxation authority and a failure to manage tax risks may have an adverse impact on CSG's ability to meet its obligations.

What is more, the CSG Group's activity in the defence industry is highly regulated. Selected CSG Group entities had to obtain an authorisation to carry out foreign trade with military equipment for the Group to be able to operate on the international market in this specialised field. CSG's subsidiaries engaged in trading with military equipment are predominantly governed by Act No. 38/1994 Coll., on Foreign Trade with Military Equipment, as amended (the "Act"). In line with the Act, the relevant CSG's subsidiaries have an authorisation for foreign trade with military equipment, which is, however, a highly general authorisation and specific transactions, more precisely exports or imports of military equipment, are subject to another approval (and licencing) by the Licence Administration under the Ministry of Industry and Trade of the Czech Republic. This administration body decides on granting a specific licence based on binding opinions of the respective bodies including: A) Ministry of Foreign Affairs as regards foreign and political interests of the Czech Republic, compliance with obligations arising for the Czech Republic from international treaties as well as from the membership of the Czech Republic in international organisations; B) Ministry of the Interior as regards public order, safety and protection of citizens; and C) Ministry of Defence with respect to securing defence of the Czech Republic. Such controls of exports are designed to prevent exports to risky countries where this material may be misused, such as to suppress human rights or for resale to unofficial armed forces. Furthermore, the CSG Group is also subject to Common rules of the EU governing control of exports of military equipment (Council Common Position 2008/944/CFSP) which further restrict or regulate the Group's business activity in this segment. In the decision-making process concerning the approval of specific foreign transactions including military equipment, a key role will be played by the security situation in individual global regions as well as by the policy of international organisations, which the Czech Republic is part of, responding to such security situation. All of the factors outlined above similarly apply to Slovak subsidiaries. Besides, on some markets, the approval proceedings by state bodies also take place with regard to imports from the Czech Republic or Slovakia. The aforementioned regulatory constraints or the lack or loss of licence and authorization may have an adverse impact on the Group's business activity and its ability to meet its commitments.

Risk of CSG as a holding company
CSG is a holding company that primarily holds, manages or, as the case may be, finances equity investments in other Group entities and, as such, does not conduct any substantial business activities. CSG depends in the business success of its subsidiaries. If the subsidiaries did not achieve the anticipated results or if their ability to make payments (such as in the form of dividends, interest etc.) in favour of CSG were limited for other reasons (e.g., unavailability of available resources, legal or tax regulation and/or agreements), this would have a significant adverse impact on CSG's income and its ability to pay debts.

Operational risk
The operational risk is the risk of loss due to fraud, unauthorised activities, errors, omission, inefficiency or system failures. This risk, which occurs in respect of all activities of the CSG Group, is faced by all business corporations. The operational risk also comprises legal risk.

Risk of losing key stakeholders
CSG's key stakeholders, i.e., management (primarily top management) of CSG and subsidiaries, cooperate in creating and implementing the CSG Group's key strategies. Their activity is crucial for the CSG Group's overall management and the ability to launch and implement those strategies. CSG makes an effort to retain and motivate those persons despite the urgent demand for qualified staff in the engineering industry. Nevertheless, CSG is unable to guarantee that it will be able to retain and motivate the aforementioned or to address and acquire new stakeholders. CSG actively supports and motivates the key stakeholders to constantly increase their qualifications and obtaining hands-on experience and thus support their professional growth. Any loss of key stakeholders could have adverse impacts on CSG or the Group, CSG's economic results and financial situation, which could negatively affect CSG's solvency.

Risk of information leak
The CSG Group employs persons who are involved in designing the strategy of the Group or its subsidiaries, creating new products and determining the Group's business direction. A leakage of sensitive information about the Group may threaten the Group's functioning or loss of its current market position, which could ultimately deteriorate CSG's financial results and thus have adverse effects on CSG's solvency.

Cyber risk
The CSG Group conducted a risk analysis of users, processes and information assets related to the ICT environment of the Group's production and products. Following its findings, best practices of suppliers of infrastructure components were applied to the CSG Group's ICT environment.

Risks relating to the insurance of assets
CSG and subsidiaries have taken out insurance for their major assets. Nevertheless, the costs incurred by any natural disasters or other unforeseeable events (fire, storm, flood, deluge, hail etc.) may have adverse effects on the Group's assets as well as its economic and financial situation as the insurance of the Group's assets does not provide a full coverage of all asset-related risks.

B) Risks Arising from the Group's Operations on Various Markets

Risk arising from adverse macroeconomic and political situation
An unfavourable development of the general macroeconomic situation or political instability on markets where the CSG Group operates reduces economic activities of business entities and the CSG Group's business partners and also have a significant influence on their current and future decisions. The CSG Group's financial performance may be directly or indirectly affected by macroeconomic parameters, including, among other things, an increase or decrease in the gross domestic product, inflation development, monetary and tax policy, exchange rate and interest rate development, unemployment and the general level of investments in countries in which the CSG Group operates. The political or macroeconomic situation in those countries may be affected by regional events, for example the situation in Ukraine, sanctions against the Russian Federation, debt crisis in the Eurozone and other similar factors. Any unfavourable changes in the macroeconomic situation or political instability in countries where the CSG Group operates may have adverse impacts on CSG's operation, financial performance and financial outlooks.

Risks relating to the inflation level
The CSG Group's economic results are determined by the inflation level in countries in which the CSG Group operates. Major changes in the inflation level (i.e., changes by more than several percent), or changes in the inflation level which significantly differs from their anticipated values of inflation rate could have adverse impacts on the CSG Group's business and financial situation.

Risk of unforeseeable events
An unforeseeable event (natural disaster, terrorist attack) causing volatility on financial markets and/or rapid exchange rate fluctuations may affect the value of bonds issued by CZECHOSLOVAK GROUP a.s. A negative impact of such events could reduce the return on the Group's investments and thus threaten CSG's ability to satisfy all of its liabilities.

Risk of general economic recession and demographic factors
Economic slowdown or economic recession at the country-wide or regional levels in countries in which the CSG

Group operates and other significant external events, such as a decrease in customer demand, changes in interest rates or in the economic policy of neighbouring countries may have adverse impacts on the macroeconomic environment in which the CSG Group operates. This may be also negatively reflected in the CSG Group's economic results.

Risk relating to legal and regulatory environment
The CSG Group operates globally in many countries and, as a consequence, it is subject to a wide array of legal, regulatory and tax regulations. The legislative and regulatory environments in the countries in which the Group operates gradually develops; the current or future environment does not need to provide sufficient legal instruments to mitigate the impacts caused by violating contractual relations on the part of business partners. A risk exists that the CSG Group will be unable to seek its contractual rights towards third parties, fully and within reasonable time, which may have adverse impacts on CSG's operation, financial performance and financial outlooks of CSG. Simultaneously, legal rules and regulations in the countries in which the CSG Group operates may be subject to changes and amendments without a clear foreseeability thereof. These changes may have an adverse impact on CSG's contractual relations and business. The CSG Group's assets or part thereof may be subject to appropriation, nationalisation and seizure without a sufficient financial compensation, or with a financial compensation that is lower than the market value of the respective assets, which may have an adverse impact on CSG's financial situation.

Tax risk in countries other than Czech Republic
The CSG Group's business activities are subject to various tax regulations in individual countries in which the CSG Group operates. However, rules in individual tax systems may change and be subject to various interpretations, which may change (deteriorate) the tax implications on specific investments or structure (including profit repatriation) after such an investment has been realised. Simultaneously, the CSG Group has to adhere to regulations and adapt to changes in tax systems, whereby some of them occur at the level of the European Union. This may increase the CSG Group's costs incurred by monitoring such changes and accommodating to them during the investment period. The aforementioned changes, different or varying interpretations of tax regulations or the risk of a failure to comply with tax legislation at the level of local Group entities may increase the tax burden or result in sanctions being imposed, which may have adverse impacts on CSG's operation, financial performance and financial outlooks.

C) Risks Concerning the Defence Industry

Risk of reduction in defence expenses
Cuts in expenses incurred on the army and armed forces in the Czech Republic and abroad may decrease demand for product in the arms industry supplied by CSG. Significant costs of the preparation and future realisation of engagements thus may be devalued. Selection procedures for a supply for armed forces are characterised by strong competition, having increased requirements in terms of technology, time and finance. Any cancellation or discontinuation of tenders or the Group's failure in individual tenders may have adverse impacts on CSG Group's operation, financial performance and financial outlooks.

Risk of long-term contracts with a fixed price
Long-term contracts for armed forces often have fixed terms, which may be very difficult to modify, whereby potential market changes may become less favourable for the relevant subsidiary. The CSG Group thus assumes all related risks, if any. Preparation and realisation of contracts may last several months or years and despite the set internal measures, the Group cannot always guarantee a smooth implementation, providing for timely supply in the required quality and for the cost corresponding to the budgeted production expenses. Although the CSG Group has some opportunities to change contractual terms to a certain extent, fixed contracts are inherently risky. Any supply delays may cause a financial loss – contractual penalties paid by the CSG Group. Some contracts may also be terminated without an adequate compensation. These facts may have a negative impact on the CSG Group's business activity.

Risk of failure to keep up with the technological progress
The CSG Group's activity is based on technological progress. Development or innovation of new arms technology lasts years, whereby a number of objective hindrances may occur, including price increase or delays of the entire process. Due to its complexity, extensive research and development expenses may not always return in the form of a commercially successful product. If the CSG Group did not respond to the requirements arising from customer needs and relating changes in the area of arms development and technology, disregarding the need for innovation and technological progress, this would have adverse impacts on the financial performance and financial outlooks of the CSG Group.

D) Risk Concerning Engineering

Risk of increasing requirements for product quality
In the area of engineering, the CSG Group faces increasing pressure and requirements on the quality of production and the final product, which has a significant impact primarily on the level of costs, given the fact that if sufficient production quality is not achieved, several acts have to be performed to rectify the resulting situation. This often involves a change in the production procedure which involves an increase in input costs due to the use of better quality materials and raw materials or due to the extension of the production process, which is ultimately reflected in the financial performance of the CSG Group. In the case of persisting production of poor quality products, this risk is reflected in the loss of trust of customers and thereby in a decrease in demand for engineering products.

Risk of failure in public tenders
In the area of engineering, the CSG Group is also partially dependent on sales through public contracts. The tenders are often time-consuming and financially demanding and a failure in a tender can have a negative impact on the sale of the Group's engineering products, which can be adversely reflected in the economic results of the CSG Group.

Risk of failure to keep up with technological progress
As in the defence industry segment, the CSG Group faces the risk that it will be unable to keep up with the pace of technological progress, which would have a negative impact on its financial performance and financial outlook.

E) Risks Relating to the Segment of Aviation Industry Services

Lack of specialised workforce
Individuals with expert qualifications are key for performing business in the aviation industry segment. Given the fact that the CSG Group plans an expansion in the area of aviation industry services, it will be increasingly complicated to obtain qualified workforce, due to the limited number of graduates in the relevant fields. The CSG Group thus faces the risk that there will be an objective lack of people with education or experience in the area of the aviation industry and it will not be able to attract such specialists. Lack of employees could have a negative impact on the business of the CSG Group.

Focused on globality

The operation of thousands of aircraft in the airspace is not possible without the advanced primary and secondary radars that supplies the company ELDIS, bringing them to the world market and celebrating with them global success.

Corporate Governance Strategy of the CSG Group

Principles of Internal Control and Approach to Risks in Relation to the Financial Reporting Process

CZECHOSLOVAK GROUP keeps its accounts in accordance with the Act on Accounting and the International Financial Reporting Standards (IFRS) as adopted by the EU. Other entities in the Group report for consolidation purposes also in accordance with the IFRS regardless of local accounting regulations.

Accounting documents are approved either in the electronic approval system or by a designated employee (chief accounting officer, financial manager, CFO).

Only designated employees have access to the accounting software, pursuant to an approval by a senior employee and system administrator.

Accounting and approval processes are contained in internal guidelines that are regularly revised and updated as needed.

The control system involves an annual physical inventory count of assets and document-based inventory of balances on balance sheet accounts.

The accuracy of accounting is audited annually by an independent auditor.

The Company additionally uses internal audit, which inspects adherence to the approved internal processes.

Random inspections are additionally performed by the Company's Board of Directors, Supervisory Board and Audit Committee.

Any deficiencies found are remedied without delay.

Description of Procedures Used by the Company's Bodies in Decision-Making

The information on the procedure used in decision-making by the Company's bodies is discussed in section "Administrative, Management and Supervisory Bodies of CSG".

Information on Codes of the Company's Governance

In accordance with Section 118 (4) of Act No. 256/2004 Coll., on Capital Market Undertakings, regarding the information on codes of corporate governance that are binding for the Company or that the Company adheres to voluntarily, the CSG Group states that it is governed by and adheres to all requirements for corporate governance stipulated by the generally binding legal regulations of Czech Republic, primarily Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Business Corporations Act), Act No. 563/1991 Coll., on Accounting, Act No. 256/2004 Coll., on Capital Market Undertakings, and relating legal norms.

At the same time, the CSG Group actively responds to a dynamically developing corporate governance legislation. In order to provide for a due and effective governance, it has approved its internal CSG Corporate Governance Code which is a declaration of adopted principal standards of the Corporate Governance Code of the Czech Republic (2018) issued by the Institute of Members of Administrative Bodies based on international standards of corporate governance (primarily G20/OECD Principles of Corporate Governance of 2015).

The Code forms an integral part of the CSG Group's internal standards and the Group's new project addressing corporate responsibility and sustainable business (more information on these issues is available in the standalone Sustainability Report).

Declaration on the Conflict of Interest and Adherence to Good Corporate Governance

CSG is not aware of any possible conflict of interest between the obligations of members of the Board of Directors and the Supervisory Board in relation to CSG and their private or other obligations. CSG adheres to all requirements of corporate governance of the Group stipulated by the generally binding legal regulations of the Czech Republic, primarily the Civil Code and the Business Corporations Act.

Audit Committee

The Audit Committee performs the following activities, without affecting the responsibility of the members of the Board of Directors and the Supervisory Board:

1. monitors the effectiveness of internal control, risk management system;
2. monitors the effectiveness of internal audit and ensures its functional independence;
3. monitors the financial statements and consolidated financial statements preparation process;
4. approves the provision of other non-audit services;
5. monitors the process of the obligatory audit; and
6. performs other activities in accordance with the Act on Auditors or directly applicable EU regulation.

The Audit Committee has three members appointed by the Company's General Meeting. Members of the Committee cannot be substituted. Members of the Audit Committee must be independent and professionally qualified.

Members of the Audit Committee as of 31 December 2022:

Olga Nahodilová – Chairperson of the Audit Committee
Ivana Hubáčková – Member of the Audit Committee
František Jirásek – Member of the Audit Committee

Ethical Business Principles

The corporate culture and adherence to ethical and moral standards in business are one of the CSG's priorities. The CSG Group adopted a new Compliance Programme, the basis of the programme is the Code of Ethics, which is available on the CSG website www.czechoslovakgroup.cz, in the "About us → Compliance Programme → Code of Ethics" section. It contains basic principles the adherence to which CSG sees as crucial for maintaining good reputation, trust of its employees, customers, business partners and the entire public. These principles primarily include a ban on corruption, ban on conflict of interest, reporting of suspicions of corrupt practices and non-ethical behaviour, due compliance with the anti-corruption programme, adherence to the rules of corporate hospitality, provision of donations and sponsoring, ban on discriminatory behaviour, commitment to disseminate the anti-corruption programme outside the CSG Group. Details are available in the standalone Sustainability Report.

The employees of the CSG Group or anyone interested in its good reputation have the possibility to communicate suspicions of non-ethical, corrupt, illegal, dangerous and otherwise risky conduct to the ethical line of the CSG Group, the ET-LINK. The manners of possible communication of suspicions and other details on the ethical line are available on the CSG website www.czechoslovakgroup.cz, in the "About us → Compliance Programme → ET-LINK" section.

Diversity Policy

In line with Section 118 (4) l) of Act No. 256/2004 Coll., on Capital Market Undertakings, CSG has applied a diversity policy since 1 September 2019 aiming at a balanced and diverse composition of persons in the Company's Board of Directors and the Supervisory Board, primarily in respect of the age, gender, education and professional knowledge and experience.

The nomination committee, as an advisory body to the General Meeting:

- assesses and recommends candidates to vacancies in the Board of Directors and the Supervisory Board for approval to the General Meeting;
- regularly, at least once per year, evaluates the knowledge, skills and experience of individual members of the Board of Directors and the Supervisory Board and of these bodies as a whole and presents relevant reports to the General Meeting; and
- at least once a year assesses the structure, size, composition and activities of the Board of Directors and the Supervisory Board and presents recommendations regarding any changes to the General Meeting.

The suitability of a candidate is always assessed by the committee in line with the principles determined by the policy, consideration is primarily given to criteria of adequate education, professional work experience, understanding the activities of the Company, moral integrity, time availability given the time requirements of the position, reliability, previous activities, etc. Every candidate is also assessed in the context of diversity of the elected body as a whole in terms of the experience, education, professional knowledge, gender and age.

At its meeting held in 2022, the nomination committee also made a regular assessment of the collective adequacy of the members of the Board of Directors and the Supervisory Board and evaluated the structure, size, composition and activities of these bodies. More information regarding this issue can also be found in the standalone Sustainability Report.

Social Responsibility, Environmental Protection and Labour Activities

Within the framework of its individual activities, CSG focuses on compliance with and active promotion of sustainable business principles, which include the mitigation of environmental impact, promotion of employee diversity and inclusion, improvement of working conditions and workplace safety, ethical business, reduction of carbon footprint, and other activities.

CSG's responsible business strategy is described in detail in the Sustainability Report, which is published as a separate document this year and is available to the general public on the website www.czechoslovakgroup.cz in the "For Investors" section.

Anticipated Development in the Activities of the CSG Group

The CSG Group will continue striving to maintain and improve positive economic results in all its key sectors in the following reporting period. The Group systematically looks for investment opportunities in the territory of former Czechoslovakia and increasingly also within Europe. The CSG Group is also developing its ESG policy: it will continue the projects of energy savings, care for the water sources that it owns and work on the projects in sustainable transportation and hydrogen production using renewable sources. On a holding level, it will further develop its corporate governance to ensure that the flexibility of the largest family-owned business in the Czech Republic goes hand in hand with professional corporate processes. Given the involvement of a part of the CSG Group in defence and security, it will seek, together with professional association with which it cooperates or is member of, to maintain the defence and security industry as one of the pillars of the Czech and European security and economy.

Description of Anticipated Financing

Entities in the CSG Group primarily use project, operating, investment and export financing provided by banks. All loans are regularly analysed and potentially identified for possible refinancing, taking into account the increasing interest rates. CSG is planning to continue refinancing such loans and to enter in new bank financing for the development of the Group entities.

CZECHOSLOVAK GROUP is planning an expansion of its activities abroad, in the form of an acquisition of local companies. For this reason, it has been considering new financing in EUR. At the same time, the company plans to issue bond securities denominated in CZK. The proceeds should be used for the planned development of the Group.

Methodology Used to Calculate Alternative Performance Measures

In accordance with the general guidelines of the ESMA, the Company provides an explanation for the alternative performance measures used and the reason for their inclusion.

The Company's Annual Report contains the following alternative performance measures:

EBITDA

- Group Indicators .... page 11
- Report of the Board of Directors .... page 14
- Major Subsidiaries and their Activities .... pages 38–93
- Financial Part, Intangible Assets and Goodwill .... page 180
- Financial Part, Financial Instruments .... page 190
- Financial part, Operating Segments .... page 221

EBIT

- Group Indicators .... page 11

EAT

- Group Indicators .... page 11

Covenant Net Debt to EBITDA

- Group Indicators .... page 11

Earnings Before Interest, Taxes, Depreciation and Amortisation – EBITDA

Reason for inclusion: standard indicator used by investors for the valuation of a company.
Calculation method: EBITDA = earnings before taxes – net interest expense (interest income – interest expense – interest expense on leases) – depreciation and amortisation of fixed assets.

CZK thousand	2022	2021	Note
Earnings before tax	4,470,624	1,656,723	Consolidated Statement of Comprehensive Income, page 136
Interest income	330,621	103,210	Consolidated Financial Statements Note 12. Financial Income and Expenses
Interest expense	-757,508	-445,226	
Interest expense on leases	-23,076	-27,012	
Net interest expense	-449,963	-369,028	
Depreciation and amortisation of fixed assets	-694,888	-702,559	Consolidated Statement of Comprehensive Income, page 136
EBITDA	**5,615,475**	**2,728,310**	

Earnings Before Interest and Taxes – EBIT

Reason for inclusion: standard indicator used by investors for the valuation of a company.
Calculation method: EBIT = earnings before taxes – net interest expense (interest income – interest expense – interest expense on leases).

CZK thousand	2022	2021	Poznámka
Earnings before tax	4,470,624	1,656,723	Consolidated Statement of Comprehensive Income, page 136
Interest income	330,621	103,210	Consolidated Financial Statements Note 12. Financial Income and Expenses
Interest expense	-757,508	-445,226	
Interest expense on leases	-23,076	-27,012	
Net interest expense	-449,963	-369,028	
EBIT	**4,920,587**	**2,025,751**	

Earnings after Taxes – EAT

Reason for inclusion: standard indicator of net earnings.
Calculation method: directly stated in the Consolidated Statement of Comprehensive Income.

Net Debt to EBITDA Covenant

Reason for inclusion: The consolidated net debt ratio is a selected non-IFRS financial indicator listed in the prospectus of bonds with variable interest income in the anticipated total nominal value of up to CZK 1,500,000,000 with the possibility of an increase up to CZK 2,000,000,000 due in 2026, ISIN CZ0003532681 (similarly as the bonds due in 2024, ISIN CZ0003523151). The prospectus has been published on CSG's website (https://czechoslovakgroup.cz/prospekt) and in the Central Storage of Regulated Information on the Czech National Bank's website.

Net Debt to EBITDA = NET DEBT / ADJUSTED EBITDA (Pro Forma)

Net debt:
Debt - minus Cash and Cash Equivalents (from the consolidated statement of financial position)

Debt means the total outstanding amount of the principal, capital or nominal value (including the fixed or minimum premium in the event of early repayment or purchase) of the debts of such an entity, as regards the following:

A) borrowed cash and debit balances on accounts in banks or other financial institutions;

B) acceptance within an acceptance or discount loan (or its equivalent in a dematerialised form);

C) loan for the purchase of bonds (note purchase facility) or issue of bonds (other than trading instruments), debentures, bills of exchange, obligations, borrowed shares or any other similar securities;

D) sold or discounted receivables (except for receivables sold without recourse while meeting the requirements for the elimination from the balance sheet [derecognition] under IFRS);

E) obligation of indemnification relating to a guarantee, warranty, stand-by or documentary letter of credit or another bank instrument (with the exclusion of trading instruments) issued by a bank or financial institution in relation to I) underlying debt of an entity (that is not a relevant entity) falling under any of other items of this definition; or II) debts of a relevant entity involving a plan of retirement benefits;

F) any amount obtained by an issue of redeemable shares (in a different manner than as selected by the Issuer) or shares that are otherwise classified as borrowings under IFRS;

G) an amount of any debt arising from previously concluded purchase contract or a purchase contract with deferred effect if I) one of the principal reasons for the contract conclusion is to obtain funds or finance an acquisition or construction of a relevant asset (assets) or service; and II) the contract relates to the supply of assets or services and the payment is due more than 180 days after the supply date;

H) any amount obtained as part of another transaction (including contract for a forward purchase or sale, agreements on sale and resale or contracts for sale and leaseback) that has the commercial effect of a borrowing/loan or which is otherwise classified as a borrowing/loan under IFRS; and

I) (without double offsetting) an amount of any debt arising from a guarantee or indemnification for any items listed in A) to H) above.

The term 'Debt' does not include:

A) any lease of assets that would be treated as a lease under IFRS 16 (in the wording effective as of the issue date) or any guarantee provided by a relevant entity or its subsidiary as part of the ordinary course of business solely in connection and in relation to debts of a relevant entity and its subsidiary as part of a lease; provided that, if there are any changes in the IFRS after the issue date, an assessment and determination whether the lease is treated as a lease under the IFRS in the wording effective as of the issue date will be performed on the basis of reasonable judgement of the CFO of the relevant entity (or any person in a similar senior accounting position at the relevant entity) made in good faith in a manner that is in line with the existing procedures, and after the application of the IFRS principles (in the wording effective as of the issue date);

B) pension debt;

C) potential debts as part of ordinary course of business;

D) in relation to the purchase or sale of any business by a relevant entity or its subsidiary, any adjustments (allowances) made after the completion of the transaction (settlement) to which the seller may be authorised in the scope in which the relevant payment is determined in the final balance sheet or in which the payment depends on the performance of such an entity after the completion of the transaction (settlement);

E) for the avoidance of doubt, any potential debts in relation to the entitlement of employees for indemnification, debts that arose from early retirement or early termination of a contract, debts of a pension fund or contributions to a pension fund and/or other similar claims, debts or contributions, social security payments or payroll tax; and

F) borrowings/loans provided by the issuer or its subsidiary to any subsidiary in anticipation of a future payment of dividends to the issuer or its subsidiary in the period of 12 months from the provision of the relevant borrowing/loan provided that such a subsidiary has or will have available provisions representing the profit for distribution. i.e. for the payment of future dividends for the relevant period

Adjusted EBITDA is calculated as:

— Profit from operating activities (consolidated statement of comprehensive income);
— increased by the depreciation and amortisation of fixed assets (consolidated statement of comprehensive income);
— decreased by the profit or increased by the loss from the sale of property, plant and equipment, investment property and intangible assets (account group 541 and 641 from the consolidated trial balance entering in the Notes to the Consolidated Financial Statements in the following notes – note Other Operating Expenses – item Loss from sale of tangible fixed assets [potentially also item Loss from the sale of business assets], note Other Operating Income – item proceeds from the sale of tangible and intangible assets);
— decreased by the proceeds or increased by the loss from the sale of inventory (account group 542 and 642 from the consolidated trial balance entering in the Notes to the Consolidated Financial Statements in the following points– note Other Operating Expenses – item Loss from the sale of material, note Other Operating Income – item Proceeds from the sale of material);
— increased by the recognition (+)/release (-) of allowances for trade and other receivables,
— non-financial assets, inventory and assets and write off of receivables;
— increased by the recognition (+)/release (-) of provisions (account group 552 and 554 from the consolidated trial balance entering in the Notes to the Consolidated Financial Statements in the following notes – note Other Operating Expenses – item Change in provisions (+)/(-)); and
— increased by proceeds from the sale of an equity investment (consolidated statement of comprehensive income).

Adjusted EBITDA (Pro Forma) is calculated as:

— Adjusted EBITDA;
— decreased/increased by bond adjustments consisting in the inclusion of the Adjusted EBITDA by companies that were purchased during the year also for the period when they were not owned by the Group and exclusion of EBITDA for the companies that were sold during the year.

The calculation of the adjusted EBITDA (Pro Forma) of entities in the CSG Group as of the effective date is used solely for the calculation of the consolidated net debt ratio and it is based on individual items in the IFRS financial statements. The adjusted EBITDA indicator (Pro Forma) is based on the EBITDA indicator used in the financial statements of the issuer; however, it is adjusted in order to represent the real economic position of the issuer and the CSG Group for the purposes of meeting the issuer's obligations under this Article 4 of the Terms of Issue. As of the effective date, EBITDA of the entities is included on the rolling basis of twelve months. However, no additional obligation arises to the issuer to prepare the consolidated financial statements or the notes thereto solely for the purpose of the calculation of the consolidated net debt ratio.

Focused on quality

Artillery ammunition from ZVS must be of top quality if it is to hit a target tens of kilometres away and function safely for its users.

Direct Financial Implications of the Russian Invasion of Ukraine

The world economy, marked by the COVID-19 pandemic, experienced the shock of the Russian invasion of Ukraine a year ago. Both countries play a significant role in the global economy, especially in the trade with commodities such as gas, grain and sunflower oil.

Countries around the world have begun to realise that the arms industry is an important part of security. As a result, the entire defence industry has accelerated dramatically and the demand for goods has significantly exceeded the supply. The pressure for speed, but also for the volume of supply, intensified.

In 2022, the CSG Group increased the volume of sales in the defence industry by billions of crowns as a result of the Russian invasion. At the same time, CSG companies entered into long-term contracts of three years or more. This high demand has prompted an increase in production capacity, with an emphasis on quality and greater efficiency, and respect for the environment. The direct impact of the Russian invasion of Ukraine is not negative for CSG companies from a financial point of view. The CSG Group did not have any significant contracts with the sanctioned countries; on the contrary, it is taking advantage of the increased demand from EU and NATO countries for defence industry products, thus concluding long-term contracts not only for the supply of goods but also for the repair of purchased equipment.

Post Balance Sheet Events that are Significant for the Purpose of the Annual Report

Between 31 December 2022 and the date of preparation of the Consolidated Annual Report, the following changes to the CSG Group structure occurred:

A) Changes in the CSG Group

David Chour was appointed Executive Director of the holding as of 1 January 2023.

Aleš Kvídera ended his membership in the Supervisory Board of CZECHOSLOVAK GROUP a.s. as of 28 February 2023. Michaela Katolická became a new member of the Supervisory Board as of 1 March 2023.

B) New Acquisitions

In March 2023, the holding acquired a 20% interest in Gaussin, a French company that develops and manufactures emission-free transport systems and automated driving without driver intervention. Gaussin shares are traded on Euronext.

Focused on responsibility

Small calibre ammunition Fiocchi in the hands of hunters and sport shooters not only delivers top performance, but also environmental responsibility.

Significant Legal Proceedings

Legal Dispute with SARN SD3LLC

The Company continues as a defendant in litigation pending in the Superior Court of the State of Delaware, New Castle County, USA, captioned "SARN SD3 LLC v. CZECHOSLOVAK GROUP a.s, C.A. No. NI 7C-12-185EMD (CCLD)". The plaintiff is SARN SD3 LLC (SARN), a limited liability company located in the State of Delaware.

The lawsuit was filed on 13 December 2017. The first claim alleges that the Company breached an option agreement between SARN and the Company to acquire 25% of the shares in RETIA, a.s. (RETIA). The second claim alleges that the Company, as a then shareholder of Retia, should have breached the duty of care allegedly owed under the option agreement. The Company responded with a motion to dismiss for failure to specify a claim and lack of jurisdiction. In September 2018, the court denied the Company's motion to dismiss both SARN claims and ordered the litigation to proceed.

During 2018–2020, the evidentiary phase of the litigation (disclosure) was ongoing, with significant delays caused by the COVID-19 pandemic. In the meantime, both parties made a series of submissions in which SARN, on the one hand, supplemented and clarified its claims, and the Company, on the other, refuted, contradicted or presented arguments showing that SARN's claims were ungrounded.

As regards the first claim, SARN initially claimed damages of CZK 56,875,000. In March 2020, SARN applied for an interlocutory judgment ordering the Company to pay that amount. In December 2020, the court granted that motion in principle, but allowed the parties to further exchange submissions on the amount of the damages claimed. In late 2021, the court conceded that SARN was entitled to damages in the amount claimed on the basis of the first claim but did not order the Company to pay that amount, primarily because of the pendency of proceedings on the second claim (see below). In October 2022, SARN filed a motion for reconsideration of the aforementioned interlocutory judgment, claiming that it had discovered "new evidence" indicating that the damages awarded on the first claim should have been higher, namely in the amount of CZK 129,625,000. A hearing was held on this claim in January 2023, and the Company considers this SARN claim to be ungrounded and strongly opposes it. As of the date of this report, the court has not ruled on this matter; however, the Company is determined to appeal any adverse ruling and to continue to vigorously defend its rights if unsuccessful. The Company continues to be represented in this part of the litigation by the Washington, D.C. office of the global law firm Dentons US LLP.

With respect to the second claim, SARN refined its claim in 2021 based on the evidentiary phase and sought damages in excess of USD 108 million. At the same time, however, it did not provide any convincing evidence or testimony to justify the amount claimed. The Company moved to dismiss this claim in its entirety; however, the Court set a civil jury trial for September 2022 regarding this part of the case. The parties subsequently amicably concluded this portion of the litigation after intense negotiations, the jury trial did not occur, and SARN waived any future claims arising from the second claim. This part of the litigation has therefore been effectively concluded.

MSM Martin s.r.o. (Slovakia)

Criminal proceedings are still held in Slovakia against a CSG Group company, MSM Martin, s.r.o. Slovakia, under ref. no. PPZ-99/NKA-BA3-2020 (originally PPZ-233/NKA-BA3-2020) for acts concerning interference in a tender on recovery tanks and mobile bridging organised by the Administration of State Material Reserves in late 2019 and early 2020. On 6 October 2020, the Slovak special prosecutor decided on MSM Martin's complaint against the decision to bring an accusation by allowing this complaint and cancelled the decision to bring an accusation against MSM Martin ("SP's Decision"). On 31 March 2021, the General Prosecutor cancelled the SP's decision, stating that the law had been broken in favour of the defendant and ordered the special prosecutor to make a new decision on MSM Martin's complaint against the decision to bring an accusation. From MSM Martin's perspective, the prosecution thus returned to the stage before the issuance of the SP's Decision, and it was repeatedly decided on the complaints against the decision to bring an accusation. On 14 June 2021, the Deputy Special Prosecutor decided to dismiss the complaints of all the defendants, including the company, which means that the company became the defendant again. On 14 September 2021, the company filed a motion to set aside this dismissal of its complaint through an extraordinary appeal, which was denied. In response, the company filed a constitutional complaint, which was, however, denied without a substantive review due to the alleged lack of jurisdiction of the Constitutional Court at this stage of the criminal proceedings. The company cooperates actively with the local law enforcement authorities and tries to present evidence to prove that the prosecution is absolutely unfounded. The company is represented by a subsidiary of the law firm Dentons in Bratislava.

EU Taxonomy for Sustainable Activities

Since 2021, the Group has adhered to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy for Sustainable Activities" or the "European Taxonomy") which stipulates universal criteria for classification of environmentally sustainable economic activities. It also determines the obligation to publish qualitative and quantitative information on what economic activities of the Group are in line with the European Taxonomy in order to provide for transparency.

Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives defines what economic activities comply with the EU Taxonomy. This Regulation stipulates that the classification of economic activities under the EU Taxonomy for Sustainability follows the classification of economic activities laid down in the NACE Revision 2 classification system of economic activities established by Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation stipulates the obligation for the fiscal year ended 31 December 2022 to disclose the proportion of Taxonomy-eligible and aligned, Taxonomy-eligible and not aligned, and Taxonomy non-eligible economic activities in its total turnover, capital and operating expenses for the first two environmental objectives, i.e. climate change mitigation and climate change adaptation.

In 2022, a significant change in the methodology for assessing the taxonomy-eligible activities according to NACE codes was applied by the Group compared to 2021. The principle of assigning NACE codes not only on the basis of an exact match but also on the basis of a match according to the superior and subordinate category was newly introduced in the assessment. This modification of the methodology takes into account the wider range of economic activities that can be considered eligible for the European taxonomy while ensuring a better link with the environmental objectives defined in the Regulation. The reason for the change in the methodology is the desire for greater transparency so that the Group can better assess the extent to which its companies are engaged in environmentally sustainable activities.

In view of the newly chosen methodology for assessing Taxonomy-eligible activities according to NACE codes, the Group also carried out a detailed analysis of the specific business activities of individual companies. This thorough process made it possible to identify and select a list of taxonomic activities that the Group's companies actually carry out. In 2021, due to time constraints, the Company has relied only on the NACE codes previously recorded by the Group companies for statistical reporting purposes. In the following step, an analysis of compliance with the European Taxonomy was carried out. The result of this analysis was a list of those Taxonomy activities that contribute to environmental objectives and meet the requirements of the European Union. All other activities that did not show eligibility and alignment with the European Taxonomy were not considered in the analysis. In this way, the Group has gained a more accurate and relevant overview of its contribution to sustainable economic activities, allowing it to better target further development and investment in areas that promote sustainable growth and environmental protection.

The Taxonomy-eligible economic activities are defined by Regulation EU 2021/2178 as the activities described in delegated acts mentioned above regardless of whether the economic activity meets all technical screening criteria stipulated in these delegated acts.

Since 2022, the Group has also been assessing the alignment of taxonomic activities according to the rules set by the European Union. These rules include an assessment of compliance with criteria that include an evaluation of whether I) the company makes a material contribution to one of the six economic activities in accordance with the technical selection criteria, II) does not do significant harm in relation to other environmental objectives, and III) meets minimum social safeguards. By assessing these criteria, the Group will ensure that its taxonomic activities not only contribute to the achievement of environmental objectives, but also respect the social and labour standards that are necessary for sustainable development and environmental protection.

The assessment of eligibility and alignment of taxonomic activities has been carried out in all consolidated Group companies, with the exception of Fiocchi Group companies, which are part of the consolidated entity only as of the end of November 2022. Only those companies for which at least one eligible activity has been identified are considered in the summary of key indicators. Namely, the following companies: ATRAK a.s., CS SOFT a.s., DAKO-CZ, a.s., ELDIS Pardubice, s.r.o., EXCALIBUR ARMY spol. s r.o., HELI COMPANY s.r.o., JOB AIR Technic a.s. and RETIA, a.s. These Group companies have demonstrated a commitment to environmentally sustainable activities that meet the criteria of the European Taxonomy and contribute to achieving the environmental objectives set by the European Union.

A) Key performance indicator related to turnover (turnover KPI)

The proportion denominator includes consolidated sales reported in line Sales in the Profit and loss account.

				Substantial contribution criteria		DNSH criteria ('Does Not Significantly Harm')							
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)
		TCZK	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities													
A.1 Environmentally sustainable activities (Taxonomy-aligned)													
Computer programming, consultancy and related activities	J62	620.547	2.49%	0.00%	2.49%	N	N	N	N	N	N	Y	2.49%
Education	P85	3.938	0.02%	0.00%	0.02%	N	N	N	N	N	N	Y	0.02%
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		624.509	2.50%	0.00%	2.50%								**2.50%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)													
Freight transport services by road	H49.4.1, H53.10, H53.20, N77.12	6.901	0.03%										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6901	0.03%										0.03%
Total (A.1 + A.2)		631.410	2.53%										**2.53%**
B. Taxonomy-non-eligible activities													
Turnover of Taxonomy-non-eligible activities (B)		24.301.238	97.47%										
Total (A + B)		24.932.648	100.00%										

B) Key performance indicator related to capital expenditure (CapEx KPI)

The proportion denominator includes consolidated additions to fixed assets in the following categories: Concessions and licences, Internally-developed intangible assets, Other intangible assets, Property and plant, Machinery and equipment, Other non-current operating assets, Right of use – property and plant, Right of use – machinery and equipment. Additions are reported in the Notes to the Consolidated Financial Statements in notes Intangible Assets and Goodwill and Property, Plant and Equipment in notes 14 and 15 to the consolidated financial statements.

				Substantial contribution criteria		DNSH criteria ('Does Not Significantly Harm')							
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)
		TCZK	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities													
A.1 Environmentally sustainable activities (Taxonomy-aligned)													
Computer programming, consultancy and related activities	J62	82.442	6.86%	0.00%	6.86%	N	N	N	N	N	N	Y	6.86%
Acquisition and ownership of buildings	L68	5.790	0.48%	0.48%	0.48%	Y	Y	N	N	N	N	Y	0.48%
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		88.232	7.35%	%	%								7.35%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)													
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0.00%										0.00%
Total (A.1 + A.2)		88.232	7.35%										7.35%
B. Taxonomy-non-eligible activities													
CapEx of Taxonomy-non-eligible activities (B)		1.112.980	93.00%										
Total (A + B)		1.201.212	100.00%										

C) KPI related to operating expenditure (OpEx KPI)
The denominator of the proportion includes consolidated costs in the Rental and Repairs and maintenance categories in note Services in the Notes to the Consolidated Financial Statements.

				Substantial contribution criteria		DNSH criteria (‘Does Not Significantly Harm’)							
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)
		TCZK	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%
A. Taxonomy-eligible activities													
A.1. Environmentally sustainable activities (Taxonomy-aligned)													
Computer programming, consultancy and related activities	J62	12.374	8.06%	0.00%	8.06%	N	N	N	N	N	N	A	8.06%
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**12.374**	**8.06%**	**0.00%**	**8.06%**								**8.06%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)													
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.00%**										0.00%
Total (A.1 + A.2)		**12.374**	**8.06%**										**8.06%**
B. Taxonomy-non-eligible activities													
OpEx of Taxonomy-non-eligible activities (B)		**141.226**	**92%**										
Total (A + B)		**153.600**	**100%**										

Approval of the Annual Report

The members of the Company’s Board of Directors declare that, to the best of their knowledge, the financial statements and consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and economic performance of the issuer and the consolidated entities as a group, and the Consolidated Annual Report under the Accounting Act gives a true and fair view of the development and performance of the issuer and the position of the issuer and the consolidated entities as a group, together with a description of the principal risks and uncertainties that they are facing.

The Annual Report was approved on 25 April 2023 at the Company’s registered office.

David Chour
Vice-Chairperson of the Board of Directors

Petr Formánek
Member of the Board of Directors

Financial Part

Consolidated Financial Statements under International Financial Reporting Standards

Consolidated Financial Statements prepared under International Financial Reporting Standards (IFRS) as Adopted by the EU for the Year Ended 31 December 2022

Name of the Company:	**CZECHOSLOVAK GROUP a.s.**
Registered Office:	**Pernerova 691/42, Karlín, 186 00 Prague 8**
Legal Status:	**Joint Stock Company**
Corporate ID:	**034 72 302**

Components of the Consolidated Financial Statements:

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared on 25 April 2023.

David Chour
Vice-Chairperson of the Board
of Directors

Petr Formánek
Member of the Board
of Directors

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Consolidated Statement of Comprehensive Income

For the years ended 31 December 2022 and 2021 (CZK thousand)	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenues	6	24,932,648	14,444,230
Consumed material and costs of goods sold	7	-13,330,307	-6,941,610
Services	8	-4,138,628	-3,000,884
Staff costs	9	-3,115,400	-2,727,837
Amortisation/depreciation of fixed assets	14, 15	-694,888	-702,559
Other operating income	10	1,047,186	785,723
Other operating expense	11	-707,196	-561,594
Profit from operating activities		**3,993,415**	**1,295,469**
Financial income	12	346,312	107,615
Financial expense	12	-969,594	-625,955
Profit from other financial instruments	12	839,733	323,564
Profit (+) / loss (-) from financing activities		**216,451**	**-194,776**
Share of profit / (loss) of associates and joint ventures, net	18	250,487	118,943
Profit / (loss) from the sale of an equity interest	5 (d)	10,271	437,087
Profit before tax		**4,470,624**	**1,656,723**
Income tax	13	-996,785	-339,939
Net profit from continuing operations		**3,473,839**	**1,316,784**
Total profit		**3,473,839**	**1,316,784**

For the years ended 31 December 2022 and 2021 (CZK thousand)	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		—	—
Foreign exchange differences on translation of foreign operations, net		-89,532	47,163
Other comprehensive income, net		**-89,532**	**47,163**
Total other comprehensive income		**3,384,307**	**1,363,947**
Profit attributable to:			
Shareholders of the Company		2,973,281	1,227,630
Non-controlling interests	27	500,558	89,154
Profit for the year		**3,473,839**	**1,316,784**
Total other comprehensive income attributable to:			
Shareholders of the Company		2,883,749	1,290,021
Non-controlling interests	27	500,558	73,926
Total other comprehensive income for the year		**3,384,307**	**1,363,947**

The Notes to the Consolidated Financial Statements on pages 146 through 231 form an inseparable part of these consolidated financial statements.

Consolidated Statement of Financial Position

As of 31 December 2022 and 2021 (CZK thousand)	Note	31 December 2022	31 December 2021
Assets			
Intangible assets	14	1,755,899	1,291,401
Goodwill	14	12,368,423	1,047,882
Property, plant and equipment	15, 16	8,721,494	5,525,882
Investment property	17	63,588	67,509
Investments in associates and joint ventures	18	2,546,961	2,252,045
Loans and other non-current financial assets	19	4,321,600	2,479,704
Trade and other long-term receivables	20	46,497	83,614
Long-term prepayments made and deferred expenses and accrued income	20	66,906	54,495
Deferred tax asset	21	187,268	135,516
Contract assets	6	—	—
Costs of obtaining/fulfilling a contract	6	113,625	46,664
Total non-current assets		**30,192,261**	**12,984,712**
Inventory	22	13,547,702	6,060,496
Trade and other short-term receivables	20	5,109,704	3,020,157
Loans and other short-term financial assets	19	2,336,492	1,116,748
Short-term prepayments made and deferred expenses and accrued income	20	1,985,866	751,975
Tax receivables	23	346,322	72,259
Tax receivables arising from the current income tax payable	23	45,755	62,332
Cash and cash equivalents	24	5,827,398	2,585,581
Assets classified as held for sale	25	—	—
Contract assets	6	726,462	749,539
Total current assets		**29,925,701**	**14,419,087**
Total assets		**60,117,962**	**27,403,799**

As of 31 December 2022 and 2021 (CZK thousand)	Note	31 December 2022	31 December 2021
Equity			
Share capital	26	2,000,000	2,000,000
Other reserves	26	940,005	938,021
Reserve from foreign currency translation	26	-71,981	17,551
Retained earnings		5,534,163	4,313,768
Profit or loss for the period		2,973,281	1,227,630
Equity attributable to the Company's shareholders		**11,375,468**	**8,496,970**
Non-controlling interests	27	4,424,573	755,287
Total equity		**15,800,041**	**9,252,257**
Liabilities			
Long-term loans and borrowings	19	11,239,227	1,241,963
Other long-term financial instruments	19	876,568	639,773
Trade and other long-term payables	28	156,480	167,390
Deferred income		—	—
Long-term provisions	29	183,555	88,551
Deferred tax liability	21	674,096	332,799
Bonds – long-term portion	19	4,561,647	4,567,172
Long-term contract payables	6	3,056,326	4,056,083
Total non-current liabilities		**20,747,899**	**11,093,731**
Short-term loans and borrowings	19	4,501,794	2,644,708
Other short-term financial instruments	19	160,673	136,685
Trade and other short-term payables	28	5,594,534	2,890,393
Short-term provisions	29	134,894	150,211
Deferred income		—	—
Tax liabilities	30	398,281	233,721
Tay payables arising from the current income tax payable	30	766,774	154,612
Short-term contract payables	6	11,987,571	838,768
Bonds – short-term portion	19	25,501	8,713
Total current liabilities		**23,570,022**	**7,057,811**
Total liabilities		**44,317,921**	**18,151,542**
Total equity and liabilities		**60,117,962**	**27,403,799**

Consolidated Statement of Changes in Equity

		Attributable to the shareholders of the Company						
For the year ended 31 December 2022 (CZK thousand)	**Note**	**Share capital**	**Other reserves**	**Foreign exchange translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022 (A)	**26**	**2,000,000**	**938,021**	**17,551**	**5,541,398**	**8,496,970**	**755,287**	**9,252,257**
Total comprehensive income for the year:								
Profit for the year (B)		—	—	—	2,973,281	2,973,281	500,558	3,473,839
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations		—	—	-89,532	—	-89,532	—	-89,532
Interest-rate advantage on a non-interest-bearing loan		—	—	—	—	—	—	—
Total other comprehensive income (C)		—	—	-89,532	—	-89,532	—	-89,532
Total comprehensive income for the year (D) = (B + C)		**—**	**—**	**-89,532**	**2,973,281**	**2,883,749**	**500,558**	**3,384,307**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	—	1,984	—	-14,918	-12,934	-7,017	-19,951
Effects of acquisitions in the form of business combinations	5	—	—	—	—	—	3,207,199	3,207,199
Effects of acquisitions under joint control		—	—	—	—	—		—
Effects of subsidiaries sold		—	—	—	7,683	7,683	-7,683	—
Dividends	26	—	—	—	—	—	-23,771	-23,771
Previous years adjustments		**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total additions and disposals (E)		**—**	**1,984**	**—**	**-7,235**	**-5,251**	**3,168,728**	**3,163,477**
Transfer in equity		—				—	—	—
Total transfers in equity (F)		**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at 31 December 2022 (G) = (A + D + E + F)		**2,000,000**	**940,005**	**-71,981**	**8,507,444**	**11,375,468**	**4,424,573**	**15,800,041**

For the year ended 31 December 2021 (CZK thousand)	Note	Share capital	Attributable to the shareholders of the Company Other reserves	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021 (A)	**26**	**2,000**	**2,952,610**	**-44,840**	**5,046,706**	**7,956,476**	**1,205,691**	**9,162,167**
Total comprehensive income for the year:								
Profit for the year (B)		—	—	—	1,227,630	1,227,630	89,154	1,316,784
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations		—	—	62,391	—	62,391	-15,228	47,163
Interest-rate advantage on a non-interest-bearing loan		—	—	—	—	—	—	—
Total other comprehensive income (C)		—	—	62,391	—	62,391	-15,228	47,163
Total comprehensive income for the year (D) = (B + C)		**—**	**—**	**62,391**	**1,227,630**	**1,290,021**	**73,926**	**1,363,947**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	—	-2,002	—	-769,390	-771,392	-482,534	-1,253,926
Effects of acquisitions in the form of business combinations	5	—	—	—	—	—	—	—
Effects of acquisitions under joint control		—	—	—	—	—	—	—
Effects of subsidiaries sold		—	—	—	21,865	21,865	-21,865	—
Dividends	26	—	—	—	—	—	-19,931	-19,931
Previous years adjustments		**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total additions and disposals (E)		**—**	**-2,002**	**—**	**-747,525**	**-749,527**	**-524,330**	**-1,273,857**
Transfer in equity		1,998,000	-2,012,587	—	14,587	—	—	—
Total transfers in equity (F)		**1,998,000**	**-2,012,587**	**—**	**14,587**	**—**	**—**	**—**
Balance at 31 December 2021 (G) = (A + D + E + F)		**2,000,000**	**938,021**	**17,551**	**5,541,398**	**8,496,970**	**755,287**	**9,252,257**

Consolidated Statement of Cash Flows

For the years ended 31 December 2022 and 2021 (CZK thousand)	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flows from operating activities			
Profit for the year		**3,473,839**	**1,316,784**
Adjustments for:			
Amortisation/depreciation of fixed assets	14, 15	694,888	702,559
Impairment of inventory		-16,100	-121,277
Impairment of property, plant and equipment		-12,761	12,060
Impairment of non-financial assets		—	6,770
Impairment of financial assets		54,104	—
Profit (-) /loss (+) from the sale of property, plant and equipment, investment property and intangible assets	10, 11	-141,886	-493
Profit (-) / loss (+) from the sale of inventory	10, 11	47,510	96,274
Profit (-) / loss (+) from financial instruments		-956,167	-363,988
Profit (-) / loss (+) from the sale of assets held for sale		—	—
Profit (-) / loss (+) from the sale of subsidiaries		-10,271	-437,087
Net interest income (-) / expense (+)	12	449,963	369,028
Recognition (+) / release (-) of allowances for trade and other receivables, write-offs		167,044	62,360
Recognition (+) / release (-) of provisions	11	44,668	86,744
Profit from a bargain purchase	10	—	—
Income tax	13	996,785	339,939
Unrealised foreign exchange rate (gains)/losses		38,814	151,600
Share of profit (-) /loss (+) of associates and joint ventures	17	-250,487	-118,943
Other		—	12,817
Operating cash flows before movements in working capital		**4,579,943**	**2,115,147**
Increase (-) / decrease (+) in trade receivables and other assets*		-1,704,767	1,459,170
Increase (-) / decrease (+) in inventory (including income from sale)		-4,593,416	-54,511
Increase (+) / decrease (-) in trade and other payables**		9,870,170	561,804
Cash generated by operations		**8,151,930**	**4,081,610**
Interest paid		-558,561	-349,970
Income taxes paid		-400,085	-431,985
Net cash from operating activities		**7,193,284**	**3,299,655**

For the years ended 31 December 2022 and 2021 (CZK thousand)	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment, investment property and intangible assets		90,767	233,190
Acquisition of property, plant and equipment, investment property and intangible assets	14, 15	-1,603,502	-1,087,922
Acquisition of investments in subsidiaries, net of cash acquired	5	-11,717,367	-356,821
Dividend income		65,000	100,000
Proceeds on disposal of subsidiaries		84,907	601,985
Acquisition of investments in associates		—	—
Provided loans		-1,575,265	-1,200,898
Repayment of provided loans		176,737	294,544
Interest received		138,990	43,605
Net cash (used in)/from investing activities		**-14,339,733**	**-1,372,317**
Cash flows from financing activities			
Proceeds from borrowings		13,477,373	1,449,024
Repayments of borrowings		-2,935,350	-2,613,777
Proceeds on bond placements		221,357	2,942,155
Costs related to bond placements		-103	-28,887
Payments of bonds		-220,539	-1,398,000
Dividends paid		-23,771	-19,931
Payments of obligations under leases		-128,722	-107,203
Effect of changes in non-controlling interests		-19,951	-1,253,926
Net cash (used in)/from financing activities		**10,370,294**	**-1,030,545**
Net increase/decrease in cash and cash equivalents		3,223,845	896,793
Cash and cash equivalents at beginning of year		**2,585,581**	**1,656,023**
Foreign exchange rate gains (+) / losses (-) from the translation of cash and cash equivalents		17,972	32,765
Cash and cash equivalents at end of year		**5,827,398**	**2,585,581**

* Increase (-) /decrease (+) in receivables and other assets includes trade and other receivables, prepayments made and deferred expenses and accrued income, and tax receivables with the exception of the income tax receivable.
** Increase (+) /decrease (-) in trade and other payables includes trade and other payables, financial instruments and financial liabilities, deferred income and tax payables with the exception of the income tax payable.

Notes to the Consolidated Financial Statements

1. Description of the Group

CZECHOSLOVAK GROUP a.s. (the “Parent Company” or the “Company” or “CSG”) is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at Pernerova 691/42, Karlín, 186 00 Prague 8.

The consolidated financial statements of the Company were prepared for the year ended 31 December 2022 and include the financial statements of the Parent Company, its subsidiaries and associates or joint ventures (jointly referred to as the “Group” or the “CSG Group”). The entities included in the Group are disclosed in Note 35 – Entities in the Group and include primarily entities operating in the Czech Republic and Slovakia.

CZECHOSLOVAK GROUP’s strategy comprises the long-term operation and expansion in promising segments of the traditional Czech and Slovak industries having a strong potential for export. The vast majority of these activities focused on the B2B or B2G segments. Business activities focusing on end consumers are marginal. The Group is primarily engaged in the arms, engineering, automotive, aircraft and rail transport industries.

The parent company gradually acquired the subsidiaries as part of transactions under joint control and from third parties (refer to Note 5 for details on the acquisitions made in 2022 and 2021).

The Group’s formation and the changes in its operating and management structure have been carried out in order to make use of synergistic effects. The Group has also combined and unified its financing structure.

As of 31 December 2022, the Company’s sole shareholder was CSG FIN a.s., which, as the sole shareholder, acted as the supreme company body from 28 June 2022. Michal Strnad acted as the supreme company body from 1 January 2022 to 27 June 2022.

As of 31 December 2022, the Company’s sole shareholder was as follows:

		Equity interest	Voting rights
	CZK thousand	%	%
CSG FIN a.s.	2,000,000	100	100
Total	**2,000,000**	**100**	**100**

As of 31 December 2022, the Group’s ultimate owner was Michal Strnad.

Composition of the Board of Directors as of 31 December 2022:

- **Michal Strnad** (Chairperson of the Board of Directors)
- **David Chour** (Vice-Chairperson of the Board of Directors)
- **David Štěpán** (Vice-Chairperson of the Board of Directors)
- **Petr Formánek** (Member of the Board of Directors)
- **Ladislav Štorek** (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2022:

- **Aleš Kvídera** (Member of the Supervisory Board)
- **Aleš Klepek** (Member of the Supervisory Board)
- **Rudolf Bureš** (Member of the Supervisory Board)

2. Basis of Preparation of the Consolidated Financial Statements

A) Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), containing International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and formerly by the Standing Interpretations Committee (SIC) as adopted by the European Union, as well as with Czech legislative requirements.

The consolidated financial statements give a true and fair view of the Group’s financial position, financial results and cash flows as of 31 December 2022 for the year ended 31 December 2022.

The Board of Directors approved the consolidated financial statements on 25 April 2023.

B) Measurement Method

These consolidated financial statements were prepared under the going concern assumption and the historical cost convention, with the exception of the following material statement of financial position items, which are carried at fair value:

- Investment property; and
- Derivative financial instruments.

Investments in associates and joint ventures are stated using the equity method.

The accounting policies disclosed below are consistently applied by individual entities in the Group.

C) Functional and Presentation Currencies

The consolidated financial statements are presented in Czech crowns (“CZK”). The functional currency of each entity in the Group is the currency of the primary economic environment in which the entity operates. In respect of Czech entities, the functional currency is the Czech crown (“CZK”), in respect of Slovak entities, the functional currency is the euro (“EUR”), and in respect of other entities, the functional currency is the currency commonly used in the country where they are based. All financial information presented in Czech crowns is rounded to the nearest thousand, unless stated otherwise.

The Czech crown is the presentation currency and the parent company’s functional currency.

D) Use of Estimates and Judgement

In preparing these financial statements in compliance with International Financial Reporting Standards, management is required to make certain critical accounting estimates that affect the reported balances of assets, liabilities, income and expense. In applying the Group’s accounting policies, management is also required to make assumptions based on its own judgement. Due to their nature, the resulting accounting estimates are rarely equal to the relevant actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information on the estimates and critical judgement used in applying accounting policies that have the most significant effect on the balances reported in the consolidated financial statements are disclosed in the following Notes:

- Note 3 Q) – Revenue Recognition
- Note 3 J) – Investment Property
- Note 3 N) – Provisions
- Note 3 C), D) – Measurement of Financial Instruments
- Note 3 G) – Construction Contracts in Progress
- Note 36 – Legal Disputes

E) Adoption of new and revised International Financial Reporting Standards (IFRSs)

I. Newly adopted standards and amendments to existing standards effective for annual periods beginning on or after 31 December 2022 applied in preparing the Group’s financial statements

During the current period, the Group adopted all amendments to International Financial Reporting Standards (IFRS) with effect from 1 January 2022 that are compulsory and approved for use in the EU. The impact of these amendments to existing standards on the consolidated financial statements of the Group is specified below.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for liabilities within the scope of IAS 37, an acquirer should apply IAS 37 to determine whether a present obligation exists that is a consequence of past events. The amendments also add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"

The amendments result from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies between standards and clarifying wording.

The adoption of these amendments has no material impact on the disclosures or amounts reported in these consolidated financial statements.

II. Standards and amendments to existing standards not yet effective and applicable to the Group's financial statements

Several new standards and amendments to existing standards have not become effective as of 31 December 2022 and have not been applied in preparing these consolidated financial statements. The Group is planning to implement these provisions as soon as they become effective.

A) New standards and amendments to existing standards already adopted for use in the EU

As of the date of approval of these financial statements, the following new standards and amendments to existing standards have been issued by the IASB and approved for use in the EU but not yet effective:

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)

The new standard sets principles for the recognition, valuation, reporting and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Group anticipates that this new standard will not have significant effects on the consolidated financial statements upon initial application as the Group entities do not operate in the insurance sector.

Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 Comparative Information (effective for annual periods beginning on or after 1 January 2023)

It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application as the Group companies do not operate in the insurance sector.

Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)

The amendments require entities to disclose their material accounting policies instead of their significant accounting policies and provide guidelines and examples to help entities decide which accounting policies should be disclosed in the financial statements.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)

The amendments focus on accounting estimates and provide guidance on distinguishing between accounting policies and accounting estimates.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

Under the amendments to IAS 12, an entity will not apply the initial recognition exemption for transactions that result in the same taxable and deductible temporary differences.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

B) Amendments to existing standards not yet adopted for use in the EU

At present, the standards adopted by the European Union do not significantly differ from the standards approved by the International Accounting Standards Board (IASB). Exceptions include the following amendments to existing standards, which have not been approved for use in the EU as of the date of approval of the financial statements (the effective dates indicated below apply to IFRS as issued by the IASB).

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed indefinitely)

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)

Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2024)

The amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

Amendments to IAS 1 Presentation of Financial Statements –Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)

The amendments clarify how the conditions that an entity is required to comply with within twelve months after the balance sheet date affect the classification of liabilities.

The Group anticipates that the amendments will not have significant effects on the consolidated financial statements upon initial application.

3. Significant Accounting Policies

A) Consolidation Method

I. Recognition of acquisition of subsidiaries

1) Business combinations

Business combinations are accounted for using the acquisition method in line with IFRS 3 Business Combinations when control is transferred to the Group. The consideration transferred as part of the acquisition as well as the identified net assets and all previously held equity interests are measured at fair value (with the exception of deferred tax liabilities). Goodwill is measured as the excess of the amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquiree, if any, less the amount of identifiable assets acquired and liabilities assumed as of the acquisition date.

Any arising goodwill is tested for impairment every year and whenever there is an indication of impairment. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit of the group (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

Any gains from an advantageous purchase are immediately recognised in profit or loss. Transaction costs are charged to expenses at the time of their origination with the exception of cases where they relate to issues of debt or equity securities.

The transferred consideration does not include amounts related to the settlement of historical relations. These amounts are usually recognised in profit or loss.

Any contingent consideration is measured at fair value as of the acquisition date. If the obligation to pay contingent consideration meeting the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is recognised in equity. In other cases, contingent consideration is remeasured at fair value as of the balance sheet date and subsequent changes in the fair value of contingent consideration are reported in profit or loss.

2) Acquisition of subsidiaries under joint control

Acquisitions under joint control refer to business combinations where all combining entities and enterprises are ultimately controlled by the same party or parties before and after the acquisition and this control is not temporary. IFRS 3 does not apply to acquisitions of this type. The obtained assets and liabilities are reported in carrying amounts in which they were previously reported by the acquiree (i.e. at cost as of the date of acquisition net of accumulated depreciation and/or potential impairment). The difference between the fair value of consideration transferred as part of acquisition and the acquired net assets is recognised directly in equity (Other funds).

The Group does not disclose/adjust comparative data and the current period before the date of the transaction under joint control, subsidiaries are included in consolidation only from the effective date of the transaction.

II. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity if it is exposed or entitled to variable income based on its engagement in this entity and it can influence this income via its power over this entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of origination of control until the date of loss of control (sale of the subsidiary or its dissolution).

Changes in the Group's ownership interests that do not lead to loss of control are recognised as equity transactions. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in relative interests in subsidiaries. Any potential differences between the amount for which non-controlling interests are adjusted and the fair value of the paid or received consideration are reflected directly in equity and allocated to the Company's owners.

III. Investments in entities accounted for under the equity method

The Group's investments in entities accounted for under the equity method include investments in associates and joint ventures.

An associate is an enterprise in which the Group has significant influence over financial and operating policies but it has no control or joint control over these policies. A joint venture is an arrangement where the Group is a joint-controlling party and is entitled to the net assets of this arrangement (not its assets and obligations from its liabilities).

Investments in associates and joint ventures are recognised under the equity method. They are initially reported at acquisition cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share in the overall profit or loss and other comprehensive income of the entities recognised under the equity method, until the day when significant influence or joint control ceases to exist.

If the Group's share in losses exceeds the carrying amount of the investment in the associate or joint venture, the book value shall decrease to zero and any losses shall stop being reported, which does not apply if the Group has incurred payables to the relevant associate or if it has made any payments on its behalf.

IV. Recognition of non-controlling interest

Non-controlling interests representing current ownership interests granting their holders the right to a proportionate share in the net assets of the relevant entity in the event of liquidation may be initially recognised either at fair value or at the proportionate part (based on the amount of non-controlling interest) of reported amounts of identifiable net assets of the entity in which the investment was made. The Group measures these non-controlling interests using the pro-rata method. Other types of non-controlling interest are valued at fair value or using a method set by another IFRS standard.

V. Transactions excluded on consolidation

When preparing the consolidated financial statements, intercompany balances and intercompany transactions as well as all unrealised income and expenses arising therefrom are excluded.

Unrealised gains from transactions with entities under the equity method are offset against the relevant investments up the amount of the Group's interest in the relevant entity. Unrealised losses are offset in the same way as unrealised gains, but only if no impairment occurs.

VI. Unification of accounting policies

Accounting policies applied in the financial statements of consolidated companies were unified during consolidation and they are in line with the accounting policies used by the Parent Company.

VII. Loss of subsidiaries and entities under the equity method

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and all the related non-controlling interests and other components of equity. Any interest retained in the former subsidiary in the event of loss of control is valued at fair value.

Gains or losses from the sale of interests in subsidiaries and entities under the equity method are reported in the profit and loss when significant risks and benefits related to the ownership are transferred to the buyer.

If assets and liabilities are sold via the sale of an equity investment in a subsidiary or an entity under the equity method, total gains or losses from the sale are reported under Gains/(losses) from the sale of subsidiaries and associates in the statement on other comprehensive income.

B) Foreign Currencies

I. Foreign currency transactions

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity performs its activities (functional currency). Transactions in foreign currencies are translated to the relevant functional currency of the Group entity using the exchange rate valid as of the date of transaction.

Cash assets and liabilities in foreign currencies are translated to the relevant functional currency of Group entities using the exchange rate valid as of the balance sheet date promulgated by the relevant national bank based on the registered office of the company.

Non-cash assets and liabilities in foreign currencies that are reported at historical costs are translated to the relevant functional currency of Group entities using the exchange rate valid as of the transaction date. Non-cash assets and liabilities in foreign currencies that are reported at fair value are translated to the relevant functional currency of Group entities using the exchange rate valid as of the date of determination of fair value.

Exchange rate gains and losses arising from the translation of financial assets denominated in foreign currencies are described below in item D).

Overview of primary exchange rates valid for the reporting period is included in Note 32 to the financial statements – Risk Management Methods and Disclosures.

II. Translation to the presentation currency

Assets and liabilities including adjustments concerning goodwill and fair value arising on consolidation are translated from the functional currency to Czech crowns using the exchange rate valid as of the balance sheet date. Income and expenses are translated from the functional currency to Czech crowns using the average exchange rate determined based on the exchange rates valid in the reporting period.

Exchange rate gains and losses arising from the translation are recognised in other comprehensive income and reported in the fund from foreign currency translations in equity. However, if the foreign entity is not a 100% subsidiary, then the relevant part of the exchange rate difference is reported as non-controlling interest.

C) Financial Instruments – Derivatives

Financial assets and financial liabilities are reported in the Group's statement of financial position if the Group becomes a party to contractual provisions concerning the instrument.

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Notes 19 and 32.

Financial assets and financial liabilities are initially measured at fair value. Transaction expenses that are directly related to the acquisition or issuing of financial assets and financial liabilities (with the exception of financial assets and financial liabilities measured at fair value through profit or loss) increase or decrease the fair value on initial recognition in the corresponding amount. Transaction expenses that are directly related to the acquisition of financial assets and financial liabilities measured at fair value through profit or loss are reported directly to profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. The Group does not use hedge accounting.

D) Financial Assets, Financial Liabilities and Equity

All purchases or sales of financial assets with the regular type of acquisition are reported and recognised as of the date of conclusion of the transaction. A purchase or sale with the regular type of acquisition is a purchase or sale of a financial asset that requires the delivery of the asset within a timeframe set by a regulation or market agreement.

All reported financial assets are subsequently remeasured either at amortised cost or at fair value, depending on their classification.

Classification of financial assets

Debt securities that meet the following conditions are measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual conditions of the financial asset stipulate specific dates of cash flows generated exclusively by payments of principal and interest on the unpaid amount of principal.

The Group does not have any debt instruments with a business model whose objective would be achieved through both the collection of contractual cash flows and the sale of financial assets. All other financial assets are subsequently remeasured at fair value through profit or loss (FVTPL).

I) Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or expense over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and interest paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Financial Income" (interest income details are disclosed in Note 12).

II) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (the Group has not yet designated any equity investments as at FVTOCI.
- Debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so-called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (Note 12). Fair value is determined in the manner described in Note 4.

III) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period, exchange differences are recognised in profit or loss in the 'Financial income' or 'Financial expenses' line item (Note 12).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using loss allowance matrix based on the Group's historical experience with credit loss using factors that are specific to the debtors based on geographic rating and aging of receivables.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

IV) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the extent to which the fair value of a financial asset has been less than its amortised cost;

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

V) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

VI) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

A) a significant financial difficulty of the issuer or the borrower,
B) a breach of contract, such as a default or past due event (see II) above);
C) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
D) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
E) the disappearance of an active market for that financial asset because of financial difficulties.

VII) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss (the 'Financial expenses' line item).

VIII) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which a simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

A detailed description of the expected credit loss methodology is provided in the section on financial risk management, refer to Note 32.

IX) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity.

Financial Liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is I) contingent consideration of an acquirer in a business combination, II) held for trading or III) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'expenses from financial instruments' line item (Note 12) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 4.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not I) contingent consideration of an acquirer in a business combination, II) held-for-trading, or III) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'financial income, financial expenses' line item in profit or loss (Note 12) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within 'financial income' or 'financial expenses' (12).

E) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with an original maturity of three months or less.

F) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price as part of normal business activities less all estimated costs of completion and costs of sale.

Purchased inventories and inventories in transit are initially recognised at cost. Cost comprises the purchase price and other costs directly related to the acquisition of inventories and bringing the inventories to their present location and condition. Inventories of a similar nature are valued using the weighted average cost method.

Internally produced inventories and work in progress is initially recognised at production costs. Production costs include direct costs (direct material, direct salaries and other direct costs) and the portion of overheads that may be directly attributed to the production of inventories (production overheads). This valuation is adjusted to net realisable value if it is lower than production costs.

G) Contract Assets and Liabilities

Construction contracts in progress are stated at expenses plus gains recognised as of the relevant date, less continuously issued invoices and recognised losses. Expenses include all the expenses directly related to the specific project and the proportionate part of fixed and variable overhead costs incurred within normal operating capacity.

Contract assets represent the Group's right to completed but unbilled work pursuant to contracts with customers at the selling price net of prepayments received. A contract asset becomes a receivable at the moment of acquisition of an unconditional right to payment, which arises by invoicing.

A contract liability is related to received prepayments or continuous invoicing for performance arising from contracts with customers where income is recognised on an ongoing basis. Contract liabilities are reported as sales at the time of fulfilment of the contract liability.

H) Property, Plant and Equipment

I. Owned assets

Items of plant and equipment are reported at cost less accumulated depreciation (see below) and accumulated losses from impairment. Property items are reported at cost less accumulated impairment losses.

Cost includes expenses that can be directly attributed to the acquisition of the asset. Cost of internally produced assets includes the cost of material and direct wages, all other costs directly related to bringing the asset to a functional condition for the intended use and capitalised borrowing costs (refer to Note 3 R) – Financial Income and Expenses). Cost also includes the cost of dismantling and removal of individual items and bringing the location to the original condition if the Group has committed to dismantling and removing the item or to bring the location to the original condition.

If an item of property, plant and equipment consists of parts having different useful lives, then these individual parts are recognised as independent items (primary components) of property, plant and equipment.

Gains or losses from disposal of an item of property, plant and equipment are determined by comparing the income from disposal and the carrying amount of the property, plant and equipment and reported in profit or loss.

II. Right-of-use assets

Refer to Note P) Leases.

III. Subsequent costs

Subsequent costs are capitalised only if it is probable that certain items of property, plant and equipment will give rise to future economic benefits for the Group and that the relevant costs can be reliably measured. All other expenses including costs of everyday maintenance of property, plant and equipment are reported directly in profit and loss.

IV. Depreciation

Depreciation is determined in order to write off the cost of buildings and equipment (after deducting the anticipated residual values) to expenses. Depreciation charges of buildings and equipment are charged to the profit and loss account on a straight-line basis over the anticipated useful life. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and the estimated useful life (if it is not reasonably certain that the Group will obtain the ownership right to the asset by the end of the lease term).

The estimated useful life of buildings and equipment is as follows:

- Buildings and structures 20–60 years
- Machinery and equipment 3–20 years
- Fixtures and other items 2–20 years

Depreciation methods, useful lives and residual values are reviewed every year as of the balance sheet date. For companies acquired under IFRS 3 where purchase price allocation is performed, useful life is re-evaluated based on the process of purchase price allocation.

I) Intangible Assets

I. Goodwill and a bargain purchase gain

Goodwill and bargain purchase gain arising from business combinations are described in Note 3 A) i. 1).

With respect to associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and tested for impairment if there are indicators of investment impairment.

II. Research and development

Expenses of research activities performed to gain new scientific or technical findings and knowledge are recognised to profit or loss.

Development activities include a plan or design of implementation of new or substantially improved products or processes. Development costs are only capitalised if they are reliably measurable, the relevant product or process is technically or economically realisable, gaining of a future economic benefit is probable and the Group intends to complete the development and use or sell the resulting assets and has sufficient sources to do so. Otherwise, the costs are recognised in profit or loss in the actual amount. Subsequent to initial recognition, development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

III. Software and other intangible assets

Software and other intangible assets acquired by the Group with a definite useful life are recognised at cost less accumulated amortisation (refer to below) and impairment losses.

Intangible assets under construction or intangible assets with an indefinite useful life are not amortised and are tested for impairment on an annual basis. The useful life is reassessed at the end of each period in order to determine whether the events and circumstances that have occurred indicate that the useful life continues to be indefinite.

IV. Trademarks

Acquired trademarks are recognised at historic costs. In case of indefinite useful life, trademarks are tested for impairment annually or whenever there is any indication that impairment occurred. Trademarks are measures at purchase cost less accumulated impairment losses.

V. Amortisation

Amortisation is determined to charge the purchase cost of intangible assets (less the expected residual value) to expenses. Intangible assets except for goodwill and trademarks with indefinite useful lives are charged to profit or loss on a straight-line basis over their estimated useful lives, starting from the date on which the asset is put to use.

The expected useful life of intangible assets is as follows:

- Software 3–4 years
- Concession, licence 3–25 years
- Other intangible assets 3–5 years

The method of amortisation, the useful life and the residual values are reassessed at the end of any reporting period and adjusted as required.

J) Investment Property

Investment property is property held by the Group to earn rentals or for capital appreciation or for both of these purposes rather than for sale as part of regular business activities or for use in the production or delivery of goods or services or for administrative purposes.

Property investment is measured initially at cost and subsequently, it is re-measured to fair value (refer to Note 4 – Fair Value Determination). Any changes in fair values are recognised in profit or loss.

Property under construction or adjusted for its future use as investment property is recognised as investment property under construction.

Only if a change is made in the manner of use of the property and the property is reclassified to inventory or property used by the owner, the fair value of the property at the re-classification date is used as the deemed acquisition cost for the purposes of subsequent reporting.

Gains or losses on investment property disposal (defined as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

The method of accounting for income from rentals of investment property is described in Note 3 Q) – Revenues.

K) Non-Current Assets Held for Sale and Disposal Groups of Assets and Liabilities

Non-current assets or disposal groups including assets and liabilities the amount of which is expected to be recovered by a sale transaction rather than through continuing use are classified as held for sale. Immediately before their classification as assets held for sale the assets (and any assets and liabilities in a disposal group) are remeasured in line with the Group's relevant accounting policies. Subsequently, at the initial classification as assets held for sale the non-current assets and disposal groups are recognised at the lower of the carrying amount or the fair value less the cost of sale.

As soon as intangible assets and property, plant and equipment are classified as assets held for sale, they are no longer amortised/depreciated and investments in associates and joint ventures are not measured using the equity method.

Any impairment loss of a disposal group is first allocated to goodwill and subsequently proportionately allocated to the remaining assets and liabilities. Loss is not allocated to inventory, financial assets, deferred tax liabilities and investment property that continue to be measured in line with the Group's accounting policies.

Impairment loss at the initial classification as held for sale is included in profit or loss. The same applies to profit or loss from subsequent revaluation. Profits exceeding the accumulated impairment loss are not reported.

Any impairment gain or loss at revaluation of non-current assets (or disposal groups) classified as held for sale if the definition of discontinued operations is not complied with is reported in profit or loss as profit or loss on continued operation.

L) Discontinued Operations

Discontinued operations are part of the Group's business activities the transactions and cash flows of which are clearly separable from other business activities of the Group and which:

- Represent a separate operating segment,
- Are part of a segment to be sold or discontinued by the Group.

The Group classifies the activity as discontinued as of an earlier date, i.e. as of the date of disposal or the date on which the criteria for classification as held for sale are met.

At the moment of classification of business activities as discontinued, the figures in the Statement on Comprehensive Income for comparative periods are newly presented as if these activities were discontinued from the very beginning of the comparative period.

No activities were discontinued during the specified periods.

M) Impairment of Non-Financial Assets

The carrying amount of the Group's assets, excluding inventories (refer to Note 3 J) – Inventory), investment property (refer to Note 3 J) Investment Property) and deferred tax liabilities (refer to Note 3 S) – Income Taxation), is reviewed as of the balance sheet date in order to determine if there are any objective reasons for impairment. If there are no such reasons, the recoverable amount of the asset is estimated. For goodwill, intangible assets under construction and indefinite useful life, the recoverable amount is estimated at least once in the period, always at the same time.

N) Provisions

A provision is recognised in the Statement on Financial Position if the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the settlement of the obligation will require an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation

Provisions are recognised in the expected amount of settlement. Significant non-current liabilities are recognised as liabilities at the present value of the expected settlement. If the impact of discount is significant, they are recognised using a discount rate reflecting the present market expectation and specific risks of the obligation. Regular release of discount is recognised in profit or loss as part of financial expenses.

Impacts of changes in exchange rates, inflation rate and other factors are recognised in profit or loss as operating income or expense. Changes in estimates of provision amounts may predominantly result from differences from originally estimated expenses or a changed date of settlement or a changed scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss as of the date of the change in the estimate (refer to below).

I. Warranties

Provisions for warranty repairs are determined for individual projects depending on the expected expenses that are determined based on historic experience.

II. Provisions for litigations and disputes

Settlement of a legal dispute represents a specific potential obligation. In order to determine the best estimate, the calculation of the expected value is used under which weight is assigned to possible consequences identified based on a legal analysis depending on relevant probabilities or the most probable single result adjusted by risk and insecurity as required is applied.

III. Onerous contracts

A provision for onerous contracts is created if the expected benefits expected to be gained by the Group from a certain contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the expected costs to terminate the contract or the value of expected net expenses of continuing the contract if lower. Before creating the provision, the Group must recognise all impairment losses relating to the contract.

O) Employee Benefits

Short-term employee benefits are recognised in profit or loss when the relevant service is provided. The liability is recognised in the amount of the expected expense if the Group has a present legal or contractual obligation to pay the amount in connection with the services provided by an employee in the past and the obligation may be reliably estimated.

P) Leases

I. Group as the lessee

At the beginning of the lease, the Group assesses whether the contract is or contains a lease defined as a contract or part of a contract which gives the right of use of the identified asset for a specified period in exchange for consideration.

The Group decided to use the IFRS 16's option not to voluntarily apply this standard to intangible assets to which the Group applies IAS 38 Intangible assets.

The Group decided to apply the exception and not to report in the balance sheet:

- Leases of low-value assets, i.e. assets at cost less than CZK 100 thousand, or EUR 4 thousand; and
- Short-term leases, where the lease term terminates in 12 months or less from the inception of lease.

The costs of lease of low-value assets and short-term leases should be recognised in expenses on an ongoing basis in the period to which they belong.

The Group reports leased assets as right-of-use; in the statement of financial position, they are presented under Property, plant and equipment. As of 31 December 2022, the Group did not identify any rights of use that would meet the definition of investment property. The related lease liabilities are presented in the statement of financial position under Long-term loans and borrowings (part of them is due in more than 12 months from the date of the financial statements) and Short-term loans and borrowings (part of them is due in less than 12 months from the date of the financial statements). Lease liabilities are measured at the present value of outstanding lease payments. The implicit interest rate, if known, is used for discounting, in other cases, the lessee's incremental borrowing rate is used. Lease payments entering into the measurement of lease liabilities include:

- Fixed lease payments determined in the contract adjusted for any latest known inflation index/benchmark interest rate, less any lease incentives;
- The amount of the expected payment for the minimum residual value guarantee, if indicated in the lease contract;
- The price of the call option if the Group expects its use;
- The fine for the early termination of the contract if the Group expects its payment and the lease term for the measurement of the lease liability is reduced.

In the measurement of the lease liability or right of use, the Group does not include variable lease payments dependent on variables other than the index/benchmark interest rate or incidental payments related to the lease (e.g. energy). These costs are recognised in the statement of comprehensive income under Services in the period to which they belong.

The measurement of lease liabilities is subsequently increased by accrued interest using the effective interest rate method and reduced by the repayment of lease liabilities.

The Group remeasures the lease liability and the related right of use in the following cases:

- The lease term, the estimate of the use of the possibility to terminate or extend lease, has changed;
- Lease payments have changed due to an index or rate change, the estimate of the guaranteed residual value has changed;
- The lease contract has changed in a manner that is not considered a new contract.

The Group did not make any significant adjustment to the lease liability during 2022.

At the inception of the lease, the rights of use are measured at the value of the related lease liability, which is increased by the prepaid lease payments at the beginning of the lease, the direct costs associated with the conclusion of the lease contract and decreased by any incentives received. In the event that the Group is obliged to pay the costs at the end of the lease (e.g. the obligation to restore the asset to its original state), the provision for such costs should be recognised at the beginning of the lease in accordance with IAS 37. The costs associated with the leased asset increase the purchase cost of the right of use.

Since the commencement of the lease, rights of use have been amortised into costs for the estimated life of the given asset or over the lease term, if shorter. If the Group expects to repurchase the leased asset at the end of the lease, the right of use is amortised for the period of the estimated use. Rights of use are tested for permanent impairment under IAS 36.

II. Group as the lessor

Lessors classify leases as operating leases or finance leases.

Leases in which the Group transfers substantially all the risks and rewards incidental to ownership to the lessee shall be classified as a finance lease. In the case of a finance lease, the Group reports an asset equal to the net investment in the lease. Lease payments are divided into accrued interest and payment reducing the residual value of the leased asset. Accrued interest is assigned to each period throughout the lease term so that the result is a constant periodic interest rate on the balance of the lease liability.

Rental from operating leases in which substantially not all the risks and rewards incidental to ownership are transferred, is reported on a straight-line basis in the statement of comprehensive income over the lease term.

If the Group subleases leased assets, it accounts for the sublease as a separate contract and assesses whether it is a finance or operating lease in relation to the related right of use.

During 2022, the Group did not identify any finance lease contracts where it would act as the lessor and operating lease income is insignificant.

Q) Revenue Recognition

I. Revenue from contracts with customers

The Group applies a five-step model to determine when and to what extent revenue should be recognised. Revenue is recognised when the Group transfers control of the goods and services to its customers and in the amount of the expected consideration. Following the fulfilment of specific requirements, revenue is reported either over time or at a point in time when control of goods or services is transferred. The Group enters into contracts with customers for different supplies and under different conditions, which is why it proceeded to assess the contracts individually.

Information on the method of accounting of revenues under IFRS 15 for individual types of transactions is provided in Note 6 Revenues. The main areas considered by the Group in applying IFRS 15 are the following:

A) Identification of the contract, identification of the performance obligations

The Group assesses performance obligations for all contracts in detail. The Group's contracts often involve several performance obligations. If the Group provides customers with a service of significant integration of these performance obligations, it considers these partial performance obligations to be part of one main performance obligation.

B) Significant financing component

For long-term prepayments, the Group recognises interest expense on received prepayments, which are reflected in the reported contract price if these prepayments are considered a significant financing component in accordance with IFRS 15.

The Group used a practical expedient and does not account for the financing component if the expected time between the delivery and payment at the time of origination of the contractual relationship is less than 12 months.

C) Revenue recognition period

In the case of contracts with customers, where the Group has a legally enforceable right to payment, the Group recognises revenues from these contracts over time. For these contracts, sales and expenses are recognised taking into account the progress of the contractual activity at the balance sheet date using the percentage of completion method. The percentage of completion is usually calculated as the ratio of the costs incurred under the contract to the total estimated costs. Management believes that this input method is an appropriate indicator of progress towards fully meeting these performance obligations. Only in exceptional cases is the percentage of completion measured by the output method. If it is probable that total costs will exceed total revenues, the loss is recognised immediately in the financial statements.

For contracts where none of the requirements for revenue recognition over time are met, the Group recognises revenue at a point in time when control is transferred. Until the transfer of control, the Group recognises contract costs as work in progress.

D) Classification within the balance sheet

Balances in the balance sheet resulting from amendments under IFRS 15 are reported as a contract asset and a contract liability, or as inventory of work in progress in the event that no revenue is recognised over time. Provisions for loss-making contracts are reported under Provisions.

II. Income from the lease of investment property

Income from the lease of investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease period. Granted incentives are recognised as part of the total income from the lease over the lease period.

Income from the lease of other assets is recognised as other income.

R) Financial Income and Expenses

I. Financial income

Financial income includes interest income from provided funds, income from dividends, changes in fair values of financial assets in fair value through profit or loss, exchange rate gains and sales of investments in securities.

Interest income is recognised on an accrual basis in the Statement of Comprehensive Income using the effective rate method. Income from dividends is recognised in the Statement of Comprehensive Income as of the date of establishment of the Group's right for the receipt of the relevant payment.

II. Financial expenses

Financial expenses include interest expense on loans, borrowings, contractual obligations and leases, release of a discount from provisions, exchange rate losses, changes in fair value of financial assets in fair value through profit or loss, costs of fees and commissions of payment transactions and guarantees, impairment losses recognised for financial assets and loss and impairment losses on contingent payments recognised as financial liabilities.

S) Income Taxation

The income taxation includes tax payable and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, which does not apply to tax related to a business combination or items recognised directly in equity or other comprehensive income.

Tax payable includes a tax estimate (tax liability or tax asset) calculated from taxable income or loss for the current period using the tax rates effective as of the balance sheet date and all adjustments to the tax payable relating to prior periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between the accounting values of assets and liabilities in the balance sheet and their amounts for tax purposes. No deferred tax is recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities that is not a business combination and has no impact on the accounting or tax income or loss. Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates and interests in joint ventures, except to the extent when the Company is able to control the reversal of the temporary difference and in the scope in which it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax is not recognised at the initial recognition of goodwill.

The amount of deferred tax is based on the assumed use or settlement of temporary differences using the tax rates effective or substantially enacted as of the balance sheet date.

Tax liabilities and assets arising from deferred tax are offset if there is an enforceable right for offsetting of due tax assets and liabilities and if they relate to the income tax imposed on the same taxable entity by the same tax authority or on different taxable entities with the intention to settle the due tax assets and liabilities on a net basis.

A deferred tax liability is only recognised if it is probable that a future taxable profit will be available against which outstanding tax losses, tax reliefs and tax-deductible temporary differences may be applied. Deferred tax liabilities are decreased to the extent to which it is probable that the relating tax relief will be applied.

T) Dividends

Dividends are recognised in equity as distribution of profit to shareholders after the approval of the payment by the Company's shareholders.

U) Government Grants

The Group recognises government grants provided in order to compensate the costs incurred in other operating income on a systematic basis and in line with how related costs are incurred. If there are doubts about compliance and if there is a risk that a grant will be subsequently returned, the Group recognises a liability in the amount of the funds received.

4. Fair Value Measurement

A number of accounting procedures and disclosures of the Group require determining a fair value of financial and non-financial assets and liabilities.

Fair values include various levels of fair value hierarchy based on the input used in valuation as follows:

- Level 1 fair value measurements are derived from prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than the listed prices included in Level 1 that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable in respect of the asset or liability; and
- Level 3 fair value measurements are derived from measurement techniques including inputs for the asset or liability that is not based on identifiable market information (unobservable inputs).

If the inputs used to measure an asset or liability at fair value may be classified within various levels of the fair value hierarchy, the fair value measurement as a whole is classified within the same level of the fair value hierarchy as the lowest level input that is material with respect to the entire measurement.

The Group reports transfers between the levels of fair value hierarchy always at the end of the reporting period in which the change occurred.

A) Investment Property

Fair values of investment property are determined by an independent expert. The results are reviewed by the Group's management. The fair value is estimated based on the current prices on the active market of similar real estate in the same location and in the same condition or (if there is no comparable property) under the generally applied valuation methods which include the aggregated sum of estimated cash flows expected to be generated from the lease of the property. Income reflecting specific risks inherently related to net cash flows is then applied to the net annual cash flows. The resulting value is the estimated value of the property.

B) Non-Derivative Financial Assets

The fair value is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the management estimates the fair value of the given instrument using price models or techniques based on discounted cash flows.

If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the management, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.

The fair value of trade receivables and other receivables, except for contract assets but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date.

The fair value of trade receivables, other receivables and investments reported at amortised cost is only determined for the disclosure purposes.

C) Non-Derivative Financial Liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a default interest rate as of the balance sheet date. For leases, the default interest rate is determined as the rate stated by the lessor in the contractual documentation. If this rate is not available, the lessee's incremental borrowing rate is used. The average incremental rate for the Group is determined at 4.30% for contracts entered into in 2022..

D) Derivatives

Financial derivatives are measured at fair value classified under level 2.

5. Changes in the Group's Structure

A) The Group's New Acquisitions

2022

I. Newly established subsidiaries

Company name	Acquisition type	Establishment date	Effective ownership in %
HARVO SPV s.r.o.	Established	13/1/2022	100%
LAIRAN SPV a.s.	Established	11/1/2022	100%
GACEL Holding s.r.o.	Established	25/4/2022	100%
RETIA Realitní s.r.o.	Established	14/11/2022	100%
TATRA a.s.	Established	6/5/2022	100%
REALID SPV a.s.	Established	6/5/2022	100%
RELAZA SPV a.s.	Established	5/5/2022	100%
CLEVELOPMENT SPV a.s.	Established	6/5/2022	100%
Development Přelouč s.r.o.	Established	17/2/2022	90%
TATRA DEFENCE PROJECTS s.r.o.	Established	8/3/2022	81%

II. Newly established companies under joint control

No new companies under joint control were established in the year ended 31 December 2022.

III. Acquired companies under joint control

No companies under joint control were acquired in the year ended 31 December 2022.

IV. Acquired subsidiaries – IFRS 3 Business Combinations

1. GAMA OCEL, spol. s r.o.

In August 2022, through GACEL Holding s.r.o., the Group acquired a 100% equity interest in GAMA OCEL, a company specialising in the processing and supply of wear-resistant, high-strength, and armoured steel plates. As this acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired company are measured at provisional value, based on the accounting records of the acquired company.

2. UpVision s.r.o.

In September 2022, through TRADITION CS a.s., the Group acquired a 100% equity interest in UpVision s.r.o. and its subsidiary UpVision Defence s.r.o., which focuses on utilising unmanned systems for various types of aerial work.

3. Fiocchi Group

In November 2022, the Group obtained a 70% equity interest in the Italian group FCC S.p.A. and its subsidiaries, Fiocchi Munizioni S.p.A, Baschieri & Pellagri S.p.A, Fiocchi of America Inc, Fiocchi UK Limited, and Lyalvale Express Limited through C3F S.p.A. The Fiocchi Group ranks among the world's leading small-caliber ammunition manufacturers.

As this extensive acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired companies are measured at provisional value, based on the accounting records of the acquired companies. Consequently, the acquisition accounting process was not completed in 2022, and the remeasurement to fair value will occur within one year from the acquisition date, including the measurement of the non-controlling interest.

V. Other changes

In 2022, ELDIS Pardubice India Private Limited (India) and EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED (India) were also established. They are listed as financial investments due to their low significance.

2021

I. Newly established subsidiaries

Company name	Acquisition type	Establishment date	Effective ownership in %
BREVETI SPV a.s.	Established	10/4/2021	100%
CSG a.s.	Established	16/9/2021	100%
CSG DEAL a.s.	Established	10/9/2021	100%
DAKO-CZ MACHINERY, a.s.	Established	10/4/2021	100%
RUMPETA a.s.	Established	20/9/2021	100%

II. Newly established companies under joint control

No new companies under joint control were established in the year ended 31 December 2021.

III. Acquired companies under joint control

No companies under joint control were acquired in the year ended 31 December 2021.

IV. Acquired subsidiaries – IFRS 3 Business Combinations

1) Prague Fertility Centre

In February 2021, the Group, through CSG Health Care, acquired an additional 40% equity interest in Prague Fertility Centre s.r.o., a leading assisted reproduction centre, with its subsidiaries AsterIVF s.r.o. and Sondany s.r.o., and gained control of the Group. The fair value of the Company's identifiable assets and assumed liabilities at the date of acquisition is presented in Note C) below.

2) PPS Vehicles, s.r.o.

In October 2021, the Group acquired a 72.90% equity interest in PPS Vehicles through MSM Group, s.r.o. Through this company, the Group obtained a set of authorisations for the sale of ammunition for a range of weapon systems. The fair value of identifiable assets and assumed liabilities of the entity as of the acquisition date is disclosed in Note C) below.

V. Other changes

In November 2021, the company Slovak Industry, s.r.o., which is the legal successor, merged with ZVS Ammunition a.s. As part of this merger, ZTS METALURG špeciál, s.r.o. was also added to the Group.

B) Impact of Acquisitions – Transactions under Joint Control

I. 2022

In the year ended 31 December 2022, the acquired companies were not under joint control.

II. 2021

In the year ended 31 December 2021, the acquired companies were not under joint control.

C) Impact of Acquisitions – IFRS 3 Business Combinations

I. 2022

CZK thousand	GAMA OCEL, spol. s r.o.	UpVision s.r.o. + UpVision Defence s.r.o.	FCC Group*	Total
Month of acquisition	**Augus 2022**	**September 2022**	**November 2022**	
Assets				
Intangible assets and goodwill	—	98	3,139,555	3,139,653
Property, plant and equipment	38,465	345	2,762,649	2,801,459
Loans and other non-current financial assets	—	—	31,041	31,041
Trade and other long-term receivables	39,580	1,244	25,044	65,868
Deferred tax asset	—	—	60,253	60,253
Inventory	60,746	—	2,888,405	2,949,151
Trade and other short-term receivables	—	—	1,633,190	1,633,190
Loans and other non-current financial assets	—	—	14,104	14,104
Short-term prepayments and accruals	—	—	44,544	44,544
Tax assets	—	—	192,612	192,612
Cash and cash equivalents	26,862	746	805,675	833,283
Total acquired identifiable assets	**165,653**	**2,432**	**11,597,072**	**11,765,157**
Liabilities				
Long-term loans and borrowings	—	—	919,319	919,319
Long-term financial instruments and liabilities	—	134	202,132	202,266
Long-term provisions	—	—	37,383	37,383
Non-current contract liabilities	—	—	37,317	37,317
Deferred tax liability	140	—	342,540	342,680
Short-term financial instruments and liabilities	—	81	57,364	57,445
Short-term loans and borrowings	—	—	519,161	519,161
Trade and other short-term payables	18,092	702	1,917,312	1,936,106
Short-term provisions	973	—	—	973
Short-term contract liabilities	—	—	25,397	25,397
Tax liabilities	9,160	—	426,360	435,520
Total identifiable assumed liabilities	**28,365**	**917**	**4,484,285**	**4,513,567**

CZK thousand	GAMA OCEL, spol. s r.o.	UpVision s.r.o. + UpVision Defence s.r.o.	FCC Group*	Total
Month of acquisition	**August 2022**	**September 2022**	**November 2022**	
Acquired identifiable assets and assumed liabilities including goodwill purchased (D)	**137,288**	**1,515**	**7,112,787**	**7,251,590**
Payment for the acquired company – effective (A)	188,310	20,000	15,692,825	15,901,135
Deferred payment – effective (G)	—	4,892	—	4,892
Investment value as of the control acquisition (I)	—	—	—	—
Paid (H)	188,310	20,000	12,219,414	12,427,724
Acquired non-controlling interests (E)	—	38	7,108	7,146
Adjustment for purchase price share	—	—	3,303,031	3,303,031
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**51,022**	**23,414**	**8,587,146****	**8,661,582**
Less: Acquired cash (B)	26,862	746	805,675	833,283
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	**-161,448**	**-19,254**	**-11,413,739**	**-11,549,441**
Post-acquisition sales (31/12/2022)	**72,921**	**316**	**649,840**	**723,077**
Post-acquisition profit (+) / loss (-) (31/12/2022)	**6,286**	**-1,272**	**63,011*****	**68,025**
Aggregate profit or loss (restated to 12 months by extrapolation from the period in which the company was part of the consolidation group)				
Sales	218,763	1,264	7,798,080	8,018,107
Profit (+) / loss (-) from operating activities	17,568	-5,080	705,310	717,798
Profit (+) / loss (-) before taxation	17,169	-5,104	1,063,789	1,075,854
Income tax	1,689	—	-5,304	-3,615
Profit or loss for the period	**18,858**	**-5,104**	**1,058,485**	**1,072,239**
of which profit (+) / loss (-) attributable to shareholders	18,858	-4,976	740,939	754,821
Other comprehensive income	**—**	**—**	**-67,404**	**-67,404**
Total comprehensive income	**18,858**	**-5,104**	**991,081**	**1,004,835**
Share of the Group in total comprehensive income	**18,858**	**-4,976**	**693,756**	**707,638**

* The FCC Group includes data for FCC S.p.A with its subsidiaries Fiocchi Munizioni S.p.A, Baschieri & Pellagri S.p.A., Fiocchi of America Inc, Fiocchi UK Limited, and Lyalvale Express Limited.
** The assets of the FCC Group include additional goodwill of CZK 2.6 billion arising from previous acquisitions of the FCC Group.
*** Post-acquisition profit less acquisition costs.

II. 2021

CZK thousand	Skupina Prague Fertility Centre	PPS Vehicles	VORNEA SPV	Total
Month of acquisition	**February 2021**	**October 2021**	**March 2021**	
Assets				
Intangible assets	18,275	54,990	—	73,265
Property, plant and equipment	147,254	—	—	147,254
Loans and other non-current financial assets	3	—	—	3
Inventory	1,393	—	—	1,393
Trade and other short-term receivables	4,516	—	—	4,516
Short-term prepayments and accruals	857	—	—	857
Tax assets	—	4,599	—	4,599
Cash and cash equivalents	30,744	50	14	30,808
Total acquired identifiable assets	**203,042**	**59,639**	**14**	**262,695**
Liabilities				
Long-term loans and borrowings	80	—	11	91
Long-term financial instruments and liabili-ties	111,415	—	—	111,415
Deferred tax liability	5,509	—	—	5,509
Short-term financial instruments and liabili-ties	7,755	—	—	7,755
Trade and other short-term payables	15,213	945	3	16,161
Short-term contract liabilities	—	—	—	—
Tax liabilities	—	—	—	—
Total identifiable assumed liabilities	**139,972**	**945**	**14**	**140,931**
Acquired identifiable assets and assumed liabilities (D)	**63,070**	**58,694**	**—**	**121,764**
Payment for the acquired company – effec-tive (A)	219,502	42,788	—	262,290
Deferred payment – effective (G)	—	—	—	—
Investment value as of the control acquisi-tion (I)	—	—	—	—
Paid (H)	250,000	58,694	—	308,694
Acquired non-controlling interests (E)	29,012	15,906	—	44,918
Adjustment for purchase price share	—	—	—	—
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	185,444	—	—	185,444
Less: Acquired cash (B)	30,744	50	14	30,808
Net cash income (+) / expense (-) of the transactions (C) = (B – H)	-219,256	-58,644	14	-277,886
Post-acquisition sales (31/12/2021)	148,787	—	—	148,787
Post-acquisition profit (+) / loss (-) (31/12/2021)	12,967	-58	-18	12,891
Aggregate profit or loss				
Sales	162,313	—	—	162,313
Profit (+) / loss (-) from operating activities	22,304	-232	-14	22,057
Profit (+) / loss (-) before taxation	17,266	-232	-22	17,012
Income tax	-3,120	—	—	-3,120
Profit or loss for the period	**14,146**	**-232**	**-22**	**13,892**
of which profit (+) / loss (-) attributable to shareholders	7,639	-169	-22	7,448
Other comprehensive income	**—**	**—**	**—**	**—**
Total comprehensive income	**14,146**	**-232**	**-22**	**13,892**
Share of the Group in total comprehensive in-come	**7,639**	**-169**	**-22**	**7,448**

III. Substantiation of purchases

There are several strategic reasons for the purchases, including the following:

- Areas of operation of subsidiaries complete the CSG Group's portfolio;
- Potential for a synergic effect;
- Subsidiaries have technical excellence and production capacities supporting the Group's operational growth.

One of the Group's strategic goals is further expansion of activities in the relevant sectors in the countries where the Group operates. The Group's current goal is to strengthen its position and become a significant market participant.

IV. Substantiation of a bargain purchase gain

The Group did not report any bargain purchase gains in the year ended 31 December 2022.

V. Substantiation of the existence of goodwill

With respect to the acquisition of GAMA OCEL, spol. s r.o., the CZECHOSLOVAK GROUP reported goodwill in the amount of CZK 51,022 thousand, and with respect to the acquisition of UpVision s.r.o., the CZECHOSLOVAK GROUP reported goodwill in the amount of CZK 23,414 thousand. The Group believes that the potential of future profits of the acquired companies sufficiently substantiates the reported goodwill.

In connection with the acquisition of the Fiocchi Group, the CZECHOSLOVAK GROUP recognised goodwill in the amount of CZK 11,421,658 thousand, of which CZK 8,587,146 thou-sand relates to goodwill arising from the acquisition of the Fiocchi Group and CZK 2,760,076 thousand to goodwill arising from previous acquisitions in the Fiocchi Group. As mentioned above, in 2023, the assets and liabilities acquired will be measured at fair value and the amount of goodwill recognised will be adjusted. However, the Group already believes that the acquisition of the Fiocchi Group has sufficient future earnings potential to justify this acquisition.

D) Sales Outside the Group

Given the significance of the sales performed this year, fair values of payments for companies sold and the identifiable assets and liabilities sold as of the date of the sale are provided below. The values do not exclude mutual relations within the Group:

D) Sales Outside the Group

Given the significance of the sales performed this year, fair values of payments for companies sold and the identifiable assets and liabilities sold as of the date of the sale are provided below. The values do not exclude mutual relations within the Group:

2022

CZK thousand	ZVS-Armory, s.r.o.	HARVO SPV s.r.o.
Month of sale	**December 2022**	**November 2022**
Assets		
Intangible assets	241	–
Property, plant and equipment	27,226	–
Loans and other long-term assets	–	–
Trade and other long-term receivables	–	–
Deferred tax asset	–	–
Inventory	20,594	–
Trade and other short-term receivables	3,231	–
Loans and other short-term financial assets	–	–
Prepayments and accruals	120	–
Tax assets	–	1
Cash and cash equivalents	723	5,004
Short-term contract assets	–	–
Rights of use	483	–
Total assets sold (A)	**52,618**	**5,005**
Liabilities		
Short-term financial instruments	506	–
Long-term financial instruments	362	–
Deferred tax liability	2,146	–
Short-term loans and borrowings	2,942	5,250
Long-term loans and borrowings	–	–
Trade and other short-term payables	5,163	15
Short-term provisions	627	–
Deferred income	–	–
Other short-term financial liabilities	–	–
Other long-term financial liabilities	–	–
Tax liabilities	1,423	15
Short-term contract liabilities	–	–
Total liabilities sold (B)	**13,169**	**5,280**
Assets and liabilities sold (C = A – B)	**39,449**	**-275**
Non-controlling interest (D)	7,683	–
Goodwill (E)	–	–
Adjustment for the derecognition of incidental acquisition costs	–	–
Selling price (F)	41,761	–
Proceeds from the sale of subsidiaries = (F - C + D - E)	**9,995**	**275**
Cash sold	723	5,004
Net cash income from the transaction	**41,038**	**-5,004**

2021

CZK thousand	MSM BUSINESS DEVELOPMENT s.r.o.	VÍTKOVICKÁ DOPRAVA a.s.	CAR STAR Group	VÝVOJ Martin, a.s.
Month of sale	**April 2021**	**July 2021**	**September 2021**	**December 2021**
Assets				
Intangible assets	–	1,893	208	104,137
Property, plant and equipment	–	209,267	373,160	169,196
Loans and other long-term assets	–	3	14,912	–
Trade and other long-term receivables	–	2,208	–	–
Deferred tax asset	–	6,424	3,559	–
Inventory	–	10,728	88,898	31,349
Trade and other short-term receivables	–	42,834	43,387	100,137
Loans and other short-term financial assets	–	12,998	–	–
Prepayments and accruals	–	2,713	33	9,571
Tax assets	–	8	448	323
Cash and cash equivalents	75	8,791	81,871	845
Short-term contract assets	–	–	–	50,466
Total assets sold (A)	**75**	**297,867**	**606,476**	**466,024**
Liabilities				
Short-term financial instruments	–	–	1,899	3,132
Long-term financial instruments	–	–	7,976	38,259
Deferred tax liability	–	–	14,434	2,687
Short-term loans and borrowings	–	17,699	91,427	184,735
Long-term loans and borrowings	–	193	162,057	–
Trade and other short-term payables	25	30,560	86,374	141,129
Short-term provisions	–	3,148	20,864	2,709
Deferred income	–	–	–	10,988
Other short-term financial liabilities	–	–	–	–
Other long-term financial liabilities	–	–	–	–
Tax liabilities	–	3,040	10,389	3,007
Short-term contract liabilities	–	–	325	3,208
Total liabilities sold (B)	**25**	**54,640**	**395,745**	**389,854**
Assets and liabilities sold (C = A – B)	**50**	**243,227**	**210,731**	**76,170**
Non-controlling interest (D)	9	–	–	–
Goodwill (E)	–	–	10,450	49,366
Adjustment for the derecognition of inci-dental acquisition costs	–	–	3,498	–
Selling price (F)	128	240,385	250,000	533,061
Proceeds from the sale of subsidiaries = (F - C + D - E)	**87**	**-2,842**	**32,317**	**407,525**
Cash sold	75	8,791	81,871	845
Net cash income from the transaction	**53**	**231,594**	**168,129**	**532,216**

6. Sales

The following table includes information on revenue from contracts with customers (in connection with continued activities) analysed by geographic location, the key products and services and the period of reporting the revenue for 2022 pursuant to the requirements of IFRS 15:

For the year ended 31 December 2022 (CZK thousand)	Defence industry	Mechanical engineering	Services for air-craft industry	Other continued activities	Total continued activities
Sales by geographic location					
Czech Republic	4,656,383	783,215	502,555	633,466	6,575,619
Slovakia	333,511	393,627	178,902	11,925	917,965
European Union	2,409,978	367,813	597,602	486,138	3,861,531
United States of America	219,906	—	30,487	229,827	480,220
Nigeria	220,383	—	—	—	220,383
Indonesia	329,632	—	9,731	—	339,363
Ukraine	10,226,389	—	—	—	10,226,389
Other	672,800	881,578	693,805	62,995	2,311,178
Total sales	**19,068,982**	**2,426,233**	**2,013,082**	**1,424,351**	**24,932,648**
Sales of the key products and services					
Production and repair of military machinery	3,273,920	—	—	—	3,273,920
Servicing and repair of military machinery	2,121,872	—	—	—	2,121,872
Production of trucks	—	—	—	5,652	5,652
Servicing of vehicles and their accessories	—	4,465	—	1,171	5,636
Production of brake systems	—	1,466,010	—	—	1,466,010
Servicing and repair of brake systems	—	735,967	—	—	735,967
Energy supply	—	172	—	—	172
Other engineering production	—	53,339	—	—	53,339
Airplane/helicopter maintenance and repair	—	—	892,054	983	893,037
Specialised airplane / helicopter accessories	—	—	—	—	—
Aircraft industry services	—	—	711,513	—	711,513
Production of radar equipment	—	—	401,941	—	401,941
Transportation services / logistics	13,049	—	—	—	13,049
Sale of goods	13,444,568	166,268	7,575	820,966	14,439,377
Other	215,572	12	—	595,579	811,163
Total sales	**19,068,982**	**2,426,233**	**2,013,082**	**1,424,351**	**24,932,648**
Sales by revenue reporting period					
Products and services transferred as of a certain date	16,255,885	2,426,233	461,617	1,236,295	20,380,030
Products and services transferred during a period	2,810,886	—	1,551,465	180,817	4,543,168
Income from property lease	2,211	—	—	7,239	9,450
Other income	—	—	—	—	—
Total sales	**19,068,982**	**2,426,233**	**2,013,082**	**1,424,351**	**24,932,648**

For the year ended 31 December 2021 (CZK thousand)	Defence industry	Mechanical engineering	Services for air-craft industry	Other continued activities	Total continued activities
Sales by geographic location					
Czech Republic	1,226,474	490,910	407,337	1,525,335	3,650,056
Slovakia	395,251	362,723	284,733	22,041	1,064,748
European Union	1,197,311	314,194	310,832	71,696	1,894,033
United States of America	637,963	—	752,865	4,061	1,394,889
Nigeria	1,220,940	—	—	—	1,220,940
Indonesia	216,432	1,023	—	2,650	220,105
Other	3,059,543	521,526	974,321	444,069	4,999,459
Total sales	**7,953,914**	**1,690,376**	**2,730,088**	**2,069,852**	**14,444,230**
Sales of the key products and services					
Production and repair of military machinery	2,729,477	—	—	13,167	2,742,644
Servicing and repair of military machinery	1,101,134	—	—	5,275	1,106,409
Production of trucks	—	7,940	—	1,950	9,890
Servicing of vehicles and their accessories	—	—	—	—	—
Production of brake systems	—	1,056,531	—	—	1,056,531
Servicing and repair of brake systems	—	535,110	—	—	535,110
Energy supply	—	—	—	—	—
Other engineering production	—	23,145	—	—	23,145
Airplane/helicopter maintenance and repair	—	—	805,284	—	805,284
Specialised airplane/helicopter accessories	—	—	319,825	—	319,825
Aircraft industry services	—	—	1,037,178	—	1,037,178
Production of radar equipment	—	—	561,308	—	561,308
Transportation services/logistics	17,425	—	1,572	110,610	129,607
Sale of goods	3,798,203	63,135	—	1,457,326	5,318,664
Other	307,675	4,515	4,921	481,524	798,635
Total sales	**7,953,914**	**1,690,376**	**2,730,088**	**2,069,852**	**14,444,230**
Sales by revenue reporting method					
Products and services transferred as of a certain date	6,103,498	1,683,719	—	1,766,185	9,553,402
Products and services transferred during a period	1,274,571	—	2,296,018	154,230	3,724,819
Income from property lease	51	—	—	22,028	22,079
Other income	575,794	6,657	434,070	127,409	1,143,930
Total sales	**7,953,914**	**1,690,376**	**2,730,088**	**2,069,852**	**14,444,230**

The Group assumes that in the following years it will recognise revenues from already concluded contracts with customers in the amount of approximately CZK 28.8 billion relating to performance obligations that are outstanding as of 31 December 2022. The performance will be implemented according to the current assumptions, in particular in the next three years, in 2023 in the amount of approximately CZK 20.1 billion, in 2024–2025 in the amount of CZK 7.2 billion and in the following years in the amount of CZK 1.5 billion. The stated revenues include revenues from separate contracts for different supplies with individual customers, mainly in the defence industry segment.

A) Contractual Balances

The following tables provide information on receivables, contract assets and contract liabilities from contracts with customers in compliance with IFRS 15:

CZK thousand	31 December 2022	31 December 2021
Contract assets	726,462	749,539
Trade receivables and other receivables	5,156,201	3,103,771
Prepayments made and accruals	2,052,772	806,470
Trade and other payables	5,751,014	3,057,783
Contract liabilities	15,043,897	4,894,851

The table below shows significant changes in contractual balances in the period ended 31 December 2022.

Changes in contract assets (CZK thousand)	2022	2021
Contract asset as of 1 January	**749,539**	**532,510**
Invoicing of contract assets reported as of 1 January	-79,354	-99,913
Increase in contract assets based on an ongoing revenue recognition	157,592	540,931
Change in the amount of contract assets due to impairment	-1,326	-73,808
Other changes (such as exchange rate impact)	-99,989	-150,181
Contract asset as of 31 December	**726,462**	**749,539**

Changes in contract liabilities (CZK thousand)	2022	2021
Contract liabilities as of 1 January	**4,894,851**	**3,957,686**
Revenue arising from contract liabilities recognised as of 1 January	-1,702,668	-1,615,471
Partial invoicing and prepayments received for which no revenue was recognised	11,430,224	2,591,209
Other changes (such as exchange rate impact)	421,490	-38,573
Contract asset as of 31 December	**15,043,897**	**4,894,851**

The amount of CZK 1,702,668 thousand (2021: CZK 1,615,471 thousand) reported as a contract liability as of 1 January 2022 was reported as part of revenue for the year ended 31 December 2022.

B) Performance Obligations and Revenue Reporting Policies

Revenue is reported depending on the amount and method of payment specified in a contract with a customer. The Group reports revenue as soon as control over goods or services is transferred to a customer. The Group measures revenue at the amount of expected consideration to be received from a customer in line with the terms agreed in a contract; the Group decreases the revenue by amounts collected (by proxy) for the benefit of third parties.

The table below provides additional information on the nature, method and time usual for the performance of performance obligations arising from contracts with customers, including significant payment terms and income recognition under IFRS 15.

Type of income	Performance nature and time of Performance Obligations	Income reporting under IFRS 15
Long-term production and service agreements **—** **Sales from construction contracts**	The Group generates a significant portion of revenues by the sale of products and services that are subject to long-term contracts, namely in security services, mechanical engineering and aircraft industry services (maintenance and repair of airplanes and airplane equipment, production of radar equipment, etc.). Most engagements in this segment relate to specific production or services according to the requirements of customers who have control over the relevant asset or service or gradually consume benefits resulting from performance as the Group delivers the performance. At the same time, the engagements usually grant the Group the right to receive payments for work completed including an appropriate margin if a customer unilaterally terminates a contract. With respect to the above facts, the Group reports income over the period in line with IFRS 15. These projects are mostly financed by long-term or short-term prepayments that are gradually redeemed. A contract asset or a contract liability are reported depending on the amount of prepayments, in most cases, 5–70% of the total amount of the contract and invoicing. Most contracts usually include multiple performance obligations, such as the delivery of products, training, installation, etc. In accordance with IFRS 15, these contract liabilities are assessed based on the separability or degree of integration, where in case of a high degree of integration, they are considered performances of one main contract liability. Furthermore, in the case of the supply of a series of identical products, these performances are regarded as a single contract liability in line with IFRS 15. The usual payment terms combine the use of prepayments made, guarantees and invoicing according to certain milestones, which take into account the degree of completion of the production, the state of delivery to the destination, assembly and final tests. Project implementation is connected to a standard work quality guarantee, i.e. it is not reported as a separate contractual obligation.	Sales are reported over time with respect to the progress of contractual activities as of the date of the financial statementsusing the percentage of completion method. The percentage of completion is predominantly determined using the method of inputs, specifically the proportion of the costs incurred under the contract and the total estimated costs. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation. If a contract grants a customer a financing benefit, the benefits should be separated from the benefits resulting from the provision of products, goods and services if the financial component is significant and a financial component should be recognised. If the financial component is significant the interest income/ interest expense should be separated from sales of assets and should be reported separately in the Statement of Comprehensive Income.
Sale of products **—** **Sales of own products**	The Group generates the most significant portion of revenues through the sale of own products, which namely includes income from the defence industry (military vehicles, weapon systems and ammunition) and mechanical engineering (the foundry industry, production of trucks and brake systems). The Group recognises sales as of a certain date as the conditions to report income over time are not met under IFRS 15, i.e. a product becomes under a customer's control after being delivered, customers consume the benefits after contractual obligations are met rather than as part of the production and the Group has no right for compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure).	Sales of products are reported at the moment when a customer assumes control over a product. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.
Sales of goods	Sales of goods namely include income from the sale of armaments goods, radar equipment and accessories for airplanes and helicopters. The Group reports the sales at the point in time as the conditions to report income over time under IFRS 15 are not met, i.e. the goods become under a customer's control after being delivered, a customer consumes benefits after a contractual obligation is met and the Group is not entitled to receive any compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure). If the Group acts as an agent (intermediary) in the sale of goods or services, then it accounts for the revenue from these contracts only as a commission for mediation (on a net basis).	Sales of goods are reported when a customer assumes control over the goods. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.
Sales of services	Sales of services namely include servicing and repairs of military machinery, airplanes and helicopters and services in the aircraft industry, which are provided for less than 30 days. The Group reports the sales at a point in time even if the conditions to report income over time under IFRS 15 are met.	Sales of services are reported when control over the benefit from the service provided is transferred to a customer. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.

Contracts with customers concluded by the Group may lead to the recognition of incremental costs incurred to obtain, or to perform, the contracts. In this situation, the Group will only recognise the item Costs to obtain or perform a contract if the costs are incremental and relate directly to the obtaining and performing of the contract with a customer. The Group uses the possibility of expedient, i.e. the costs are only capitalised in the statement of financial position if their allocation is expected over a period exceeding 12 months, i.e. it is a non-current asset. When an asset is recognised, its current and non-current portions are distinguished. The costs capitalised are subsequently allocated to expenses concurrently with the income the generation (or performance) of which they originally supported. The costs capitalised are allocated to profit or loss to the relevant cost positions, e.g. the costs to obtain a contract in the form of a brokerage fee are subsequently allocated to Services. The cost of obtaining or performing the contract as of 31 December 2022 amounted to CZK 75,008 thousand for EXCALIBUR ARMY s.r.o., CZK 21,774 thousand for ELDIS Pardubice, s.r.o. and CZK 16,843 thousand for RETIA, a.s. (in 2021, it amounted to CZK 27,014 thousand for ELDIS Pardubice, s.r.o. and CZK 19,650 thousand for RETIA, a.s.).

The price in the contracts with customers is mostly determined as a fixed cost for an object or a set of products, goods and services. In case of multiple separate performances within a single contract, the Group identifies separable goods and services to be delivered and subsequently allocates the expected transaction cost to the separate contractual obligations in line with the methodology specified in IFRS 15.

7. Consumed Material and Costs of Goods Sold

CZK thousand	2022	2021
Consumed material	4,314,189	3,118,460
Movements in stock of products and work in progress	-257,472	-119,697
Costs of goods sold, products and construction con-tracts	9,273,099	3,941,616
Change in allowance for inventory	491	1,231
Total costs	**13,330,307**	**6,941,610**

8. Services

CZK thousand	2022	2021
Administrative costs and other services	1,332,392	1,017,231
Costs of suppliers and other external costs	808,548	524,269
Services and supplies relating to production	1,108,000	836,362
Transport and travel expenses	348,794	345,339
Cost of energy	387,294	177,986
Rental	25,169	4,722
Repairs and maintenance	128,431	94,975
Total services	**4,138,628**	**3,000,884**

9. Staff Costs

	2022	
CZK thousand	Total staff costs	Of which key management costs
Payroll costs	2,268,265	172,772
Social security and health insurance	746,581	47,970
Other staff costs	100,554	3,431
Total staff costs	**3,115,400**	**224,173**

	2021	
CZK thousand	Total staff costs	Of which key management costs
Payroll costs	1,982,811	202,312
Social security and health insurance	666,157	64,479
Other staff costs	78,869	2,457
Total staff costs	**2,727,837**	**269,248**

As of 31 December 2022, the Group had 5,300 regular employees (2021: 3,574 employees) and 150 key managers (2021: 168).

10. Other Operating Income

CZK thousand	2022	2021
Proceeds from the sale of tangible and intangible assets	141,882	493
Proceeds from the sale of material	—	—
Proceeds from the assignment of receivables	19,457	194,279
Insurance claims	2,327	7,731
Capitalised production costs of own assets	630,488	460,692
Gain on remeasurement of investment property	4,785	—
Grants	—	—
Other operating income	248,247	122,528
Bargain purchase	—	—
Total other operating income	**1,047,186**	**785,723**

11. Other Operating Expenses

CZK thousand	2022	2021
Loss from the sale of material	47,510	96,274
Change in provisions	105,571	43,655
Taxes and fees	50,001	31,894
Insurance costs	91,068	30,712
Other	153,296	286,703
Loss from revaluation of non-financial assets	—	6,770
Charge (+) / release (-) of asset and inventory allowanc-es	-23,664	-82,653
Allowances on receivables, including depreciation / amortisation. Charge (+) / release (-) of allowances	283,414	148,239
Total operating expenses	**707,196**	**561,594**

Other operating expenses predominantly include costs of fines and penalties and other operating charges.

12. Financial Income and Expenses

CZK thousand	2022	2021
Interest income	330,622	103,210
Net foreign exchange gain	3,884	—
Other financial income	11,806	4,405
Financial income	**346,312**	**107,615**
Interest expense	757,508	445,226
Net foreign exchange loss	—	30,408
Interest expense from lease liabilities	23,076	27,012
Other financial expenses	189,010	123,309
Financial expenses	**969,594**	**625,955**
Charge (+) / release (-) of allowances	-54,003	—
Other financial gain / loss	-62,432	-40,424
Income / expenses from financial instruments*	956,168	363,988
Net financial income / expenses	**216,451**	**-194,776**

* Income is positive, expenses are negative

Income / expenses from financial instruments predominantly include the impact of profit / loss arising from financial derivative instruments. Other financial gain / loss predominantly includes loss on the sale of financial investments with the Group's share of less than 20%.

13. Income Tax

Income Tax Reported in Profit or Loss

CZK thousand	2022	2021
Income tax payable	977,986	345,022
Deferred income tax	18,799	-5,083
Total income tax	**996,785**	**339,939**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered or the liability will be settled. Under Czech legislation, the corporate income tax rate is 19% for the fiscal year ended 31 December 2022 (2021: 19%). The corporate income tax rate for the fiscal year ended 31 December 2022 is 21% in Slovakia (2021: 21%), 15% in Serbia (2021: 15%), 25% in Spain (2021: 25%), and 31.4% in Italy.

Reconciliation of the Effective Tax Rate

CZK thousand	%	2022	%	2021
Profit before tax on continued operations		4,470,624		1,656,723
Tax calculated using the local corporate income tax rate of the Company*	19.10%	854,112	18.22%	301,864
Change in the opening balance of deferred tax due to a change in the tax rate		-5,257		—
Tax effect:				
Non-deductible expenses		255,991		477,739
Tax-exempt income		-80,664		-379,273
Loss for the current year with no deferred tax receivable identified		24,769		4,385
Tax bonuses		-15,871		-24,981
Declaration of the tax effect of non-allowable tax losses of prior periods		-23,428		-28,809
Change in allowable tax-deductible temporary differences		—		—
Changes in estimates relating to prior periods		-12,870		-10,986
Income tax reported in the statement of com-prehensive income	**22.30%**	**996,785**	**20.51%**	**339,939**

* The statutory tax rates are 19% and 21% for the Czech Republic and Slovakia, respectively.
The average rate of the Group companies weighted by profit before tax was applied for the reconciliation of the effective tax.

14. Intangible Assets and Goodwill

CZK thousand	Goodwill	Concessions, licences, rights and software	Internally generated intangible assets	Intangible assets under construction	Other intangible assets	Total
Net book value						
Balance at 1 January 2022	**1,047,882**	**537,541**	**314,965**	**30,162**	**408,733**	**2,339,283**
Acquisitions under joint control	—	—	—	—	—	—
Acquisitions through busi-ness combinations	11,421,658	377,194	—	—	2,383	11,801,235
Additions	—	111,387	172,283	75,993	3,659	363,322
Amortisation for the period	—	-69,824	-61,812	—	-27,635	-159,271
Allowance	—	—	—	—	160	160
Disposals	—	5,360	-42,286	-76,226	—	-113,152
Divestment disposals	—	-246	—	—	—	-246
Reclassification	—	6,616	6,508	-14,211	1,087	—
Impact of exchange rate changes	-101,117	-3,996	-46	-980	-870	-107,009
Balance at 31 December 2022	**12,368,423**	**964,032**	**389,612**	**14,738**	**387,517**	**14,124,322**

CZK thousand	Goodwill	Concessions, licences, rights and software	Internally generated intangible assets	Intangible assets under construction	Other intangible assets	Total
Net book value						
Balance at 1 January 2021	**922,253**	**503,602**	**253,566**	**48,407**	**433,239**	**2,161,067**
Acquisitions under joint control	—	—	—	—	—	—
Acquisitions through busi-ness combinations	—	73,264	—	—	6	73,270
Additions	185,445	63,173	192,482	88,001	837	529,938
Amortisation for the period	—	-54,007	-70,703	—	-27,803	-152,514
Allowance	—	-780	—	—	—	-780
Disposals	-59,816	-2,971	-44	-96,358	—	-159,189
Divestment disposals	—	-1,860	-86,312	-18,066	—	-106,238
Reclassification	—	-38,037	30,293	9,219	4,012	5,488
Impact of exchange rate changes	—	-4,843	-4,317	-1,041	-1,558	-11,758
Balance at 31 December 2021	**1,047,882**	**537,541**	**314,965**	**30,162**	**408,733**	**2,339,283**

Amortisation of intangible assets is recognised in the line Amortisation/depreciation of fixed assets in the consolidated statement of comprehensive income.

Licences predominantly include a licence valid for 25 years for the exclusive production and distribution of PANDURs (infantry fighting vehicles) with the cost of CZK 130 million (2021: CZK 131 million). Identified trademarks include ELDIS Pardubice, s.r.o. in the total amount of CZK 163 million and are included in other intangible assets. The Group does not expect to use the trademarks over a certain period of time and as such it applies an indefinite useful life to them. Trademarks with indefinite useful lives are tested for impairment annually, refer to below.

The most significant additions to concessions, licences and rights and software in 2022 include predominantly licences for the information system of RETIA, a.s. in the total amount of CZK 15 million. A significant addition to internally generated intangible assets is represented by development work on radars in ELDIS Pardubice, s.r.o. of CZK 62 million and development work on armoured vehicles of TATRA DEFENCE VEHICLE a.s. of CZK 54 million.

An addition to goodwill was caused by the acquisition of companies in the Fiocchi Group (see Note 5, year 2022, par. IV. 3.). Goodwill is subject to annual impairment testing, see below.

Impairment Testing

General information

The Group performs annual impairment testing of goodwill, trademarks and other intangible assets with indefinite useful lives.

The Group management decided to apply the value-in-use method to impairment testing.

As management is not aware of any comparable market transactions the calculation of the value in use for trademarks and goodwill is based on estimated projections of discounted cash flows in financial plans approved and prepared by the Group's management for the period until 2023–2027.

Significant assumptions used by management in the calculation include the predicted amount of sales, predicted profit or loss before interest, tax, depreciation and amortisation (EBITDA).

Impairment testing of goodwill and trademarks of individual companies

The recoverable amount for individual cash-generating units was estimated as mentioned above using the discounted cash flow method. As the recoverable amount exceeds the carrying amount of individual cash-generating units, no related impairment of goodwill, trademarks and other intangible assets was recognised.

The key assumptions used to calculate the value in use and sensitivity to changes of assumed input

The calculation of the value in use of individual cash-generating units is most sensitive to the following input considered:

- Budget sales and profit before interest and tax
- Discount rate
- Continuing value growth rate

The budget sales and profit before interest and tax: projections of sales and profit before interest and tax are updated on a regular basis and approved by senior management for a five-year period.

Discount rate before tax: a discount rate is the measurement of the current market risk; in cash flow estimates it takes into consideration the time value of money and individual risks of underlying assets that were not included in estimates of future cash flows. The discount rate is based on specific circumstances of the Group and segments in which it operates. It is derived from its weighted average cost of capital (WACC). WACC considers both liabilities and equity. The value of equity represents the expected return on investments by the Group's investors while liabilities are derived from the Group's interest bearing loans. The calculation includes a specific industry risk using beta factors. The discount rate before tax is calculated using the adjustment of the resulting discount rate after tax for future cash flows.

Continuing value growth rate: The growth rate of continuing value is used for the extrapolation of cash flows after a planned period.

The following values were used for 2022:

- Discount rate 13% (2021: 12%)
- Continuing value growth rate 3% (2021: 3%)

Technology relating to JOB AIR Technic a.s.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such, as of 31 December 2022, no trademark impairment was identified for JOB AIR Technic, a.s. The calculation was based on budgets for 2023–2027.

Based on technology impairment testing of JOB AIR Technic a.s. performed in 2022, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

Change needed for the carrying amount to equal the recoverable amount (In %)	31 December 2022	31 December 2021
Discount rate before tax	0.01 p. p.	2.52 p. p.
Continuing value growth rate	-0.05 p. p.	-1.99 p. p.

Trademark and goodwill relating to ELDIS Pardubice, s.r.o.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2022, no trademark or goodwill impairment was identified for ELDIS Pardubice, s.r.o. The calculation was based on budgets for 2023– 2027.

Based on trademark and goodwill impairment testing of ELDIS Pardubice, s.r.o. performed in 2022, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

Change needed for the carrying amount to equal the recoverable amount (In %)	31 December 2022	31 December 2021
Discount rate before tax	16.50 p. p.	13.28 p. p.
Continuing value growth rate	-25.16 p. p.	-17.92 p. p.

Goodwill relating to CS SOFT a.s.

Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2022, no goodwill impairment was identified for CS SOFT a.s. The calculation was based on budgets for 2023–2027.

Based on goodwill impairment testing of CS SOFT a.s. performed in 2022, two key inputs were identified that would have to change significantly for the carrying amount to exceed the recoverable amount. The following table shows the value by which the input would have to change for the estimated recoverable amount to equal the carrying amount:

Change needed for the carrying amount to equal the recoverable amount (In %)	31 December 2022	31 December 2021
Discount rate before tax	7.47 p. p.	14.02 p. p.
Continuing value growth rate	-11.95 p. p.	-13.72 p. p.

15. Property, Plant and Equipment

CZK thousand	Property and plant	Machinery and equipment	Building and structure equipment	Right-of-use assets – property and plant	Right-of-use assets – machinery and equipment	Tangible assets under construction	Total
Balance at 1 January 2022	**3,066,802**	**1,405,433**	**61,342**	**494,364**	**181,870**	**316,071**	**5,525,882**
Acquisitions under joint control	—	—	—	—	—	—	—
Acquisitions through business combinations	1,203,200	889,718	68,035	217,245	154,572	268,689	2,801,459
Additions	259,974	398,535	15,192	43,338	196,845	782,943	1,696,827
Depreciation for the period	-118,179	-256,552	-7,453	-73,922	-79,510	—	-535,616
Allowance	10,317	319	—	—	—	1,965	12,601
Disposals	-119,180	-45,581	-331	-3,504	-7,376	-474,208	-650,180
Divestment disposals	—	-27,226	—	—	-482	—	-27,708
Reclassification	62,862	134,457	-1,975	—	—	-196,697	-1,353
Impacts of exchange rate changes	-30,714	-46,416	-1,051	-9,454	-2,056	-10,727	-100,418
Balance at 31 December 2022	**4,335,082**	**2,452,687**	**133,759**	**668,067**	**443,863**	**688,036**	**8,721,494**

CZK thousand	Property and plant	Machinery and equipment	Building and structure equipment	Right-of-use assets – property and plant	Right-of-use assets – machinery and equipment	Tangible assets under construction	Total
Balance at 1 January 2021	**3,433,887**	**1,634,228**	**59,119**	**534,577**	**69,777**	**297,315**	**6,028,903**
Acquisitions under joint control	—	—	—	—	—	—	—
Acquisitions through business combinations	4,014	24,070	—	118,648	522	—	147,254
Additions	261,481	389,914	8,585	56,179	164,033	351,843	1,232,035
Depreciation for the period	-127,461	-301,013	-6,077	-81,683	-33,811	—	-550,045
Allowance	683	-2,008	—	—	—	-9,955	-11,280
Disposals	-19,736	-99,582	661	-69,505	-15,863	-247,570	-451,595
Divestment disposals	-494,469	-207,081	-353	-48,206	-870	-640	-751,619
Reclassification	52,610	14,088	1	—	—	-72,186	-5,487
Impacts of exchange rate changes	-44,207	-47,183	-594	-15,646	-1,918	-2,736	-112,284
Balance at 31 December 2021	**3,066,802**	**1,405,433**	**61,342**	**494,364**	**181,870**	**316,071**	**5,525,882**

The most significant addition to property, plant and equipment in 2022 comprises the production facilities completed by DAKO-MACHINERY, a.s. in the amount of CZK 74 million as well as the modernisation of EXCALIBUR ARMY spol. s r.o. premises in the amount of CZK 27 million. The most significant addition to machinery and equipment includes the equipment of production facilities of DAKO-CZ, a.s. in the amount of CZK 100 million as well the modernisation of machining and painting equipment of DAKO-CZ MACHINERY, a.s. in the amount of CZK 51 million.

Idle assets

As of 31 December 2022 and 31 December 2021, the Group recorded no idle assets.

Pledged assets

As of 31 December 2022, property, plant and equipment with the carrying amount of CZK 2,324,051 thousand (2021: CZK 2,177,393 thousand) were pledged as collateral for bank loans. The most significant pledged assets include assets of JOB AIR Technic a.s. in the amount of CZK 779,495 thousand, DAKO-CZ, a.s in the amount of CZK 653,458 thousand and EXCALIBUR ARMY spol. s r.o. in the amount of CZK 312,567 thousand.

16. Leases

Group as the Lessee

Right-of-use

CZK thousand	Right-of-use assets – property and plant	Right-of-use assets – machinery and equipment	Total
Balance at 1 January 2022	**494,364**	**181,870**	**676,234**
Acquisitions under joint control	—	—	—
Acquisitions through business combinations	219,257	156,013	375,270
Additions	43,338	196,845	240,183
Depreciation for the period	-73,922	-79,510	-153,432
Allowance	—	—	—
Disposals	-3,504	-7,376	-10,880
Divestment disposals	—	-482	-482
Reclassification	—	—	—
Impacts of exchange rate changes	-11,466	-3,497	-14,963
Balance at 31 December 2022	**668,067**	**443,863**	**1,111,930**

CZK thousand	Right-of-use assets – property and plant	Right-of-use assets – machinery and equipment	Total
Balance at 1 January 2021	**534 577**	**69 777**	**604 354**
Acquisitions under joint control	—	—	—
Acquisitions through business combinations	118 648	522	119 170
Additions	56 179	164 033	220 212
Depreciation for the period	-81 683	-33 811	-115 494
Allowance	—	—	—
Disposals	-69 505	-15 863	-85 368
Divestment disposals	-48 206	-870	-49 076
Reclassification	—	—	—
Impacts of exchange rate changes	-15 646	-1 918	-17 564
Balance at 31 December 2021	**494 364**	**181 870**	**676 234**

The Group uses mainly administrative buildings, land, production halls and cars for leasing.

The average lease term of real estate is 6 years, the average lease term of cars and machines is 3 years. In relation to certain cars, the Group has the right to purchase leased assets at the end of the lease term.

In 2022, the most significant additions to the right-of-use land and buildings due to acquisitions of companies in the Fiocchi Group (see Note 5, year 2022, par. iv. 3.) primarily include the lease of non-residential premises leased by Baschieri & Pellagri S.p.A. in the amount of CZK 145 million, Fiocchi Munizioni S.p.A in the amount of CZK 39 million, and Fiocchi of America Inc in the amount of CZK 29 million.

In 2022, the additions to the right-of-use machinery and equipment due to acquisitions of companies in the Fiocchi Group (see Note 5, year 2022, par. iv. 3.) primarily include the lease of machines by Fiocchi Munizioni S.p.A in the amount of CZK 104 million and Fiocchi Munizioni S.p.A in the amount of CZK 30 million.

Other additions to the right-of-use land and buildings include, in particular, newly leased

non-residential premises by VOP Nováky, a.s in the amount of CZK 16 million and EXCALIBUR INTERNATIONAL a.s. in the amount of CZK 9 million.

Other additions to the right-of-use machinery and equip-ment primarily include aircraft leased by RELAZA SPV a.s. in the amount of CZK 154 million.

Amounts Reported in the Statement of Comprehensive Income

CZK thousand	2022	2021
Right-of-use assets amortisation	-153,432	-115,494
Interest expense from lease liabilities	-23,076	-27,012
Costs related to short-term leases	-73	-7,688
Costs related to leases of low-value assets	-3,377	-1,630
Costs related to variable lease payments not included in lease liabili-ties	9,592	-6,027
Total	**-170,366**	**-157,851**

The Group has not concluded any lease contracts the lease term of which would start only after 31 December 2022. The Group does not report any lease contracts with an early termination or extension option which are highly likely to be utilised.

Lease Liabilities

As of 31 December 2022, the Group reported the following lease liabilities:

CZK thousand	31 December 2022	31 December 2021
Long-term lease liabilities	775,009	551,622
Short-term lease liabilities	147,812	101,618
Total lease liabilities	**922,821**	**653,240**

In relation to lease liabilities, the Group is not exposed to significant liquidity risk, which is managed by the Treasury department.

Group as the Lessor

During 2022 and 2021, the Group did not record any financial lease contracts in which the Group would act as the lessor.

17. Investment Property

CZK thousand	Investment property for lease	Investment property under construction	Total
Balance at 1 January 2022	**67,221**	**288**	**67,509**
Acquisitions under joint control	—	—	—
Additions	—	—	—
Disposals	-11	—	-11
Divestment disposals	—	—	—
Reclassification	-3,910	—	-3,910
Impact of changes in fair value	—	—	—
Impact of exchange rate changes	—	—	—
Balance at 31 December 2022	**63,300**	**288**	**63,588**

Reclassification represents a transfer to Land and buildings used by the owner due to the termination of leases.

CZK thousand	Investment property for lease	Investment property under construction	Total
Balance at 1 January 2021	**67,221**	**288**	**67,509**
Acquisitions under joint control	—	—	—
Additions	—	—	—
Disposals	—	—	—
Divestment disposals	—	—	—
Reclassification	—	—	—
Impact of changes in fair value	—	—	—
Impact of exchange rate changes	—	—	—
Balance at 31 December 2021	**67,221**	**288**	**67,509**

A significant item of the investment property category is land owned by TECHPARK Hradubická a.s., whose fair value corresponds to the stated net book value (CZK 63,588 thousand).

2022 (CZK thousand)	Level 1	Level 2	Level 3	Total
Investment property	—	—	63,588	63,588

2021 (CZK thousand)	Level 1	Level 2	Level 3	Total
Investment property	—	—	67,509	67,509

Valuation Technique

In general, the Group directs its investment property in the Czech Republic. Types of investment property include investment property for lease, office and operation premises, production, retail and logistics premises. In the case of remeasurement, two key methods are used to measure investment property: the capitalised net income method and the market comparison approach.

Pledged Assets

As of 31 December 2022 and 31 December 2021, no investment property was pledged as collateral for bank loans.

18. Investments in Associates and Joint Operations

The Group has investments in the following associates and joint ventures:

CZK thousand	State	Direct ownership percentage 31 December 2022	Investment carrying amount 31 December 2022	Direct ownership percentage 31 December 2021	Investment carrying amount 31 December 2021
Associates	**State**	**%**		**%**	
ZVS technology, s.r.o.	Slovakia	27.54	48	27.54	50
Target Products 1978 Ltd	Netherlands	20.00	29,994	—	—
C.F.L. S.a.s.	Italy	14.00	705	—	—
Joint ventures					
CSG CENTRAL ASIA a.s.	Czech Republic	30	—	30	—
FALCON CSG a.s.	Czech Republic	30	576	30	576
HARVO SPV s.r.o.	Czech Republic	50	—	—	—
Milconn, a.s.	Czech Republic	50	8,102	50	3,235
TATRA skupina*	Czech Republic	65	2,076,600	65	1,860,682
VÝVOJ Martin, a.s.**	Slovakia	61.56	430,936	61.56	387,502
Total			**2,546,961**		**2,252,045**

* TATRA group includes TATRA TRUCKS a.s., TATRA METALURGIE a.s. and TATRA EXPORT s.r.o.
** VÝVOJ Martin, a.s., a fully consolidated company until 22 December 2021

The Group holds a 65% equity interest in TATRA TRUCKS a.s. (TATRA group). The Articles of Association of TATRA a.s. require the agreement of 75% of shareholders for some essential decisions of the General Meeting, therefore the Group does not control TATRA TRUCKS a.s. independently and considers it a joint venture. The Group has not concluded any agreements with the other shareholder of TATRA TRUCKS a.s. regarding the control of the company.

The Group holds a 62% equity interest in Vývoj Martin, a.s. Based on the shareholders' agreement, certain important decisions of the General Meeting require the agreement of 100% of the shareholders. For this reason, the Group does not control the company independently and considers it a joint venture.

I. 2022

In November 2022, as part of the acquisition of the Fiocchi Group (see Note 5), Target Products 1978 Ltd and C.F.L. S.a.s. were acquired, both of which are consolidated by the Fiocchi Group using the equity method.

II. 2021

At the beginning of 2021, additional equity interest in the leading assisted reproduction centre Prague Fertility Centre s.r.o. was purchased with its subsidiaries AsterIVF s.r.o. and Sondany s.r.o. The Group has been fully consolidated since 2021.

In December 2021, the equity interest in Vývoj Martin, a.s. was sold, whereby the Group lost control over this company. The company is now consolidated using the equity method.

The CSG Group's share in the total comprehensive income of the TATRA group is disclosed in the table below:

	TATRA Group	TATRA Group
Effective ownership percentage	Joint venture 65.00%	Joint venture 65.00%
CZK thousand	**31 December 2022**	**31 December 2021**
Summary balance sheet		
Fixed assets	2,742,830	2,393,703
Current assets (including cash and cash equivalents)	5,706,932	4,886,290
Non-current liabilities	428,821	264,503
Current liabilities	5,011,008	4,344,640
Net assets (100%)	**3,009,933**	**2,670,850**
The Group's share in the profit (+) / loss (-) of the associate	**280,223**	**111,951**
Summary income statement after the acquisition date		
Income	10,630,813	8,381,488
Profit (+) / loss (-) from operating activities	400,863	206,218
Profit (+) / loss (-) before tax	533,790	200,828
Income tax	-102,677	-28,596
Profit (+) / loss (-) for the year/reporting period	**431,113**	**172,232**
- of which profit (+) / loss (-) attributable to owners	280,223	111,951
Other comprehensive income	**—**	**—**
Total comprehensive income	**431,113**	**172,232**
The Group's share in the total comprehensive income	**280,223**	**111,951**
Other changes in equity	**-92,030**	**-194,515**
- of which dividends paid	-65,000	-130,000
- of which derivatives remeasured	6,778	—
The Group's share in other changes in equity	**-1,597**	**3,565**
Adjustment for retained earnings at the intercompany sale of inventory	-6,902	3,177
The Group's share in retained earnings	**-4,486**	**2,065**
The Group's adjusted share in the total comprehensive income and other changes in equity	**274,140**	**117,581**

The Group only reports its share in the loss from associates if the carrying amount of the equity investment in as associate is not lower than CZK 0. The Group does not account for any payables as it is not obliged to fund operations of an investee.

The CSG Group's investments in associates and joint ventures are disclosed in the table below:

	CSG CENTRAL ASIA a.s.	FALCON CSG a.s.	Milconn a.s.	HARVO SPV s.r.o.	VÝVOJ Martin, a.s.
	Joint venture 30.00%	Joint venture 30.00%	Joint venture 50.00%	Joint venture 45.00%	Joint venture 61.56%
CZK thousand	**31 December 2022**	**31 December 2022**	**31 December 2022**	**31 December 2022**	**31 December 2022**
Summary balance sheet					
Fixed assets	—	2,000	8	—	210,636
Current assets (including cash and cash equivalents)	2,087	7	54,636	4,978	160,292
Non-current liabilities	—	—	—	—	13,938
Current liabilities	159	211	38,442	5,360	254,341
Net assets (100%)	**1,928**	**1,796**	**16,202**	**-382**	**102,649**
The Group's share in the profit (+) / loss (-) of an associate	**-5**	**-27**	**4,867**	**-1**	**-35,265**
Summary income statement					
Income	—	—	151,884	—	230,174
Profit (+) / loss (-) from operating activities	-182	-72	13,072	-33	-46,747
Profit (+) / loss (-) before tax	-18	-91	12,024	-108	-57,236
Income tax	—	—	-2,290	—	-49
Profit (+) / loss (-) for the year / reporting period	**-18**	**-91**	**9,734**	**-108**	**-57,285**
– Of which profit (+) / loss (-) attributable to owners	-5	-27	4,867	-1	-35,265
Other comprehensive income	**—**	**—**	**—**	**—**	**—**
Total comprehensive income	**-18**	**-91**	**9,734**	**-108**	**-57,285**
The Group's share in total comprehensive income	**-5**	**-27**	**4,867**	**-1**	**-35,265**

	CSG CENTRAL ASIA a.s.	FALCON CSG a.s.	Milconn a.s.	VÝVOJ Martin, a.s.*
	Joint venture 30.00%	Joint venture 30.00%	Joint venture 50.00%	Joint venture 61.56%
CZK thousand	**31 December 2021**	**31 December 2021**	**31 December 2021**	**31 December 2021**
Summary balance sheet				
Fixed assets	—	2,000	22	10,995
Current assets (including cash and cash equivalents)	1,946	2	13,312	7,751
Non-current liabilities	—	—	—	1,647
Current liabilities	2	115	6,865	14,035
Net assets (100%)	**1,944**	**1,887**	**6,469**	**3,064**
The Group's share in the profit (+) / loss (-) of an associate	**16**	**-3**	**1,349**	**—**
Summary income statement				
Income	—	—	44,710	—
Profit (+) / loss (-) from operating activities	-21	—	3,867	—
Profit (+) / loss (-) before tax	53	-11	3,334	—
Income tax	—	—	-636	—
Profit (+) / loss (-) for the year/reporting period	53	-11	2,698	—
– Of which profit (+)/loss (-) attributable to owners	**16**	**-3**	**1,349**	**—**
Other comprehensive income	—	—	—	—
Total comprehensive income	**53**	**-11**	**2,698**	**—**
The Group's share in total comprehensive income	**16**	**-3**	**1,349**	**—**

* VÝVOJ Martin, a.s. a fully consolidated company until 22 December 2021.

19. Financial Instruments

Loans and Other Financial Assets

CZK thousand	31 December 2022	31 December 2021
Assets at amortised cost		
Granted loans	4,234,878	2,723,032
Other financial assets	1,463,370	574,472
Total assets at amortised cost	**5,698,248**	**3,297,504**
Assets at fair value		
Derivative instruments	959,844	298,948
Total assets at fair value	**959,844**	**298,948**
Long-term	4,321,600	2,479,704
Short-term	2,336,492	1,116,748
Total loans and other financial assets	**6,658,092**	**3,596,452**

Granted loans namely represent the loans provided to HELA GROUP s.r.o. and Mr Michal Strnad; for more details refer to Note 33 Related parties.

The weighted average interest rate relating to loans other than to lending institutions was 7.41% in 2022 (2021: 3.54%).

Trade and other receivables are disclosed in Note 20, trade and other payables are disclosed in Note 28.

Exposure of the Group to credit and currency risks and impairment losses relating to loans and other financial assets are disclosed in Note 32 – Risk Management Methods and Disclosures.

Other financial assets primarily comprise deposits in bank accounts with limited access (CZK 1,001 million) and assigned receivables (CZK 462 million).

Loans, Borrowings and Other Financial Liabilities

CZK thousand	31 December 2022	31 December 2021
Overdraft	1,650,535	1,328,598
Collateralised bank loans	12,670,037	2,346,414
Uncollateralised bank loans	444,874	–
Owner loans and loans from other related parties	687,444	53,962
Loans from third parties (other loans)	288,131	157,697
Total loans and borrowings at amortised cost	**15,741,021**	**3,886,671**
Derivative instruments	12,861	45,373
Total financial liabilities at fair value	**12,861**	**45,373**
Other financial liabilities	101,559	77,845
Financial liabilities from leases	922,821	653,240
Total loans, borrowings, derivatives and other financial instruments	**16,778,262**	**4,663,129**
Long-term loans and borrowings	11,239,227	1,241,963
Short-term loans and borrowings*	4,501,794	2,644,708
Total loans and borrowings	**15,741,021**	**3,886,671**
Long-term financial instruments	876,568	639,773
Short-term financial instruments	160,673	136,685
Total financial instruments	**1,037,241**	**776,458**
Long-term loans, borrowings and other financial instruments	12,115,795	1,881,736
Short-term loans, borrowings and other financial instruments*	4,662,467	2,781,393
Total loans, borrowings and other financial instruments	**16,778,262**	**4,663,129**

* According to the application of IFRS 16 as of 1 January 2019, liabilities from finance lease are reclassified to 'Other financial liabilities from leases'.

Financial liabilities from leases are reported in Note 16 – Leases.

In 2022, the weighted average interest rate of loans amounted to 5.18% (2021: 3.83%).

Terms and Summary of Loan Maturities

The following terms applied to outstanding loans and borrowings as of 31 December 2022:

CZK thousand	Currency	Nominal interest rate*	Balance at 31 December 2022	Due in 1 year	Due in 1 to 5 years	Due in subsequent years
Bank overdraft	CZK	Fixed	18,280	5,790	12,490	—
Bank overdraft	CZK	Variable	792,446	792,447	—	—
Bank overdraft	EUR	Fixed	19,852	19,852	—	—
Bank overdraft	EUR	Variable	801,263	800,298	965	—
Bank overdraft	RSD	Fixed	18,694	17,577	1,117	—
Other loans	CZK	Fixed	14,473	13,744	729	—
Other loans	CZK	Variable	69,495	69,495	—	—
Other loans	EUR	Fixed	159,303	130,232	29,071	—
Other loans	EUR	Variable	44,860	30,343	14,517	—
Loans from related parties	CZK	Fixed	477,633	10,153	467,480	—
Loans from related parties	CZK	Variable	61,379	61,379	—	—
Loans from related parties	EUR	Fixed	148,432	5,189	143,243	—
Collateralised bank loan	CZK	Fixed	321,243	155,399	42,917	122,927
Collateralised bank loan	CZK	Variable	147,662	112,995	34,667	—
Collateralised bank loan	EUR	Fixed	6,294,726	673,839	3,747,070	1,873,816
Collateralised bank loan	EUR	Variable	5,886,677	1,208,902	4,289,065	388,710
Collateralised bank loan	USD	Fixed	19,729	3,738	—	15,991
Uncollateralised bank loans	EUR	Fixed	333,366	282,242	51,124	—
Uncollateralised bank loans	EUR	Variable	111,508	108,180	3,328	—
Total			**15,741,021**	**4,501,794**	**8,837,783**	**2,401,444**

* The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.

The following terms applied to outstanding loans and borrowings as of 31 December 2021:

CZK thousand	Currency	Nominal interest rate*	Balance at 31 December 2021	Due in 1 year	Due in 1 to 5 years	Due in subsequent years
Bank overdraft	CZK	Fixed	23,063	23,063	—	—
Bank overdraft	CZK	Variable	390,533	390,533	—	—
Bank overdraft	EUR	Fixed	325,821	319,385	6,436	—
Bank overdraft	EUR	Variable	589,181	589,181	—	—
Other loans	CZK	Fixed	14,336	14,336	—	—
Other loans	CZK	Variable	38,406	33,452	4,954	—
Other loans	EUR	Fixed	101,375	79,999	21,376	—
Other loans	EUR	Variable	3,580	3,580	—	—
Loans from related parties	CZK	Fixed	12,780	—	12,780	—
Loans from related parties	CZK	Variable	40,830	40,830	—	—
Loans from related parties	EUR	Fixed	352	352	—	—
Collateralised bank loan	CZK	Fixed	281,419	116,446	124,296	40,677
Collateralised bank loan	CZK	Variable	1,151,041	713,958	437,083	—
Collateralised bank loan	EUR	Fixed	268,688	67,835	200,853	—
Collateralised bank loan	EUR	Variable	457,172	154,015	303,157	—
Collateralised bank loan	USD	Fixed	22,104	14,736	7,368	—
Collateralised bank loan	USD	Variable	165,990	83,007	82,983	—
Total			**3,886,671**	**2,644,708**	**1,201,286**	**40,677**

* The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.

Non-interest bearing ownership loans are recognised at their carrying amounts using market interest rates, with the capital portion of the loan reported through equity – refer to Note 26.

A majority of the Group's covenants is tied to the financial performance of a specific Group company. Major indicators in the agreed covenants include:

- Equity to total assets;
- Minimum amount of equity; and
- Net debt to EBITDA.

Bonds

On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the total nominal value of placement of CZK 1,999.8 million with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the amount of CZK 1,999.8 million (2021: CZK 1,999.8 million).

The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% p.a. margin, with interest falling due biannually as of 1 November and 1 May each year.

On 1 July 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003532681) with a floating interest income in the total nominal value of placement of CZK 2,000 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the amount of CZK 2,000 million (2021: CZK 2,000 million).

The CSG VAR/26 bonds bear a floating interest rate consisting of 6M PRIBOR + 3.25% p.a. margin, with interest falling due biannually as of 1 January and 1 July each year.

On 17 September 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003534174) with a fixed (step-up) interest income in the estimated total nominal value of placement up to EUR 25 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of EUR 100 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the amount of CZK 361,725 thousand (2021: CZK 599.1 million).

The CSG/VAR 26 bonds bear a fixed (step-up) interest rate, which is gradually increasing from the value of 3.5% p.a. to 4.35% p.a. according to a predefined procedure specified in the bond prospectus, with interest falling due quarterly as of 17 January, 17 March, 17 June and 17 September each year.

On 21 December 2022, the Company issued CSG VAR/2027 bonds (ISIN CZ0003546780) with a floating interest income in the total estimated nominal value of placement of EUR 15 million with maturity in 2027. The bonds were issued as securities in the book-entry form with a nominal value of EUR 100 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the amount of CZK 219,447 thousand (2021: a payable of CZK 0 million).

The CSG VAR/27 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.5% p.a. margin, with a minimum interest rate of 4.25%. The interest falls due biannually as of 21 June and 21 December each year.

CZK thousand	31 December 2022	31 December 2021
Issued bonds	4,580,972	4,597,926
Outstanding interest	37,032	20,223
Subtotal	**4,618,004**	**4,618,149**
Placement costs	-30,856	-42,264
Total bonds	**4,587,148**	**4,575,885**
Non-current	4,561,647	4,567,172
Current	25,501	8,713
Total bonds	**4,587,148**	**4,575,885**

Bonds as of 31 December 2022 and 2021 were subject to the following conditions:

CZK thousand	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year*	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2023-2024	2,035,854	36,054	1,999,800	–
CSG VAR/26	CZK	Variable	2023-2026	2,000,012	12	2,000,000	–
CSG VAR/26	EUR	fixed (step-up)	2023-2026	362,283	558	361,725	–
CSG VAR/27	EUR	variable	2023-2027	219,855	408	219,447	–
Total				**4,618,004**	**37,032**	**4,580,972**	**–**

CZK thousand	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year*	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2022-2026	2,018,149	19,349	1,998,800	–
CSG VAR/26	CZK	variable	2022-2026	2,000,000	–	2,000,000	–
CSG VAR/2026 EUR	CZK	fixed	2022-2026	600,000	874	599,126	–
Total				**4,618,149**	**20,223**	**4,597,926**	**–**

* In 2022 and 2021, the amount due in 1 year consists of interest accrued and outstanding at the year-end.

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 32 – Risk Management Methods and Disclosures.

20. Trade and Other Receivables and Other Assets

CZK thousand	31 December 2022	31 December 2021
Receivables from retentions	–	–
Trade receivables	4,420,225	2,022,669
Receivables from sale of shares	189,727	293,959
Receivables from assignment	154,307	593,768
Other receivables	241,325	120,408
Estimated receivables	139,887	64,102
Accrued income	10,730	8,865
Trade and other receivables	**5,156,201**	**3,103,771**
Deferred expenses	231,785	130,377
Prepayments made	1,820,987	676,093
Prepayments made and deferred expenses and accrued income	**2,052,772**	**806,470**
Trade and other receivables and total other assets	**7,208,973**	**3,910,241**
Long-term	113,403	138,109
Short-term	7,095,570	3,772,132
Trade and other receivables and total other assets	**7,208,973**	**3,910,241**

The Group's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 32 – Risk Management Methods and Disclosures.

As of 31 December 2022, trade and other receivables amounted to CZK 1,044,610 thousand (2021: CZK 1,232,821 thousand) and were provided as collateral to bank loans.

Contract Assets

CZK thousand	31 December 2022	31 December 2021
Income recognised in the current period	2,760,219	2,463,306
Total expenses incurred to date*	5,245,936	3,055,611
Total recognised profit (minus reported losses) to date*	2,365,130	1,867,532
Total income from contracts to date**	**7,611,066**	**4,923,143**
Gradual billing*	5,718,129	3,447,242
	1,892,937	**1,475,901**
Of which:		
– Gross amount due from customers for contractual work	1,925,690	1,517,493
– Gross amount payable to customers for contractual work **	-32,753	-41,592
	1,892,937	**1,475,901**
– Gross amount due from customers for contractual work	1,925,690	1,517,493
Divestment disposals	—	-567
Prepayments received offset against gross amounts due from customers	-1,422,319	-1,022,586
Net amount due from customers for contractual work***	**503,371**	**494,340**
Prepayments received from customers for contractual work ****	5,078,407	3,961,049

* Represents an amount from the commencement of contracts to 31 December 2022 and 31 December 2021, respectively.
** The amount is reported under contract liabilities (refer to Note 6).
*** The amount represents the gross amount due from customers after the corresponding amount of prepayments received has been offset. The amount has been reported under contract assets – refer to Note 6.
**** The amount is included in prepayments received – refer to Note 6.

21. Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets (liabilities) were reported:

	31 December 2022			31 December 2021		
CZK thousand	Assets	Liabilities	Net	Assets	Liabilities	Net
Intangible fixed assets	2,894	-196,692	-193,798	42,092	-129,552	-87,460
Property, plant and equipment	36,733	-454,030	-417,297	48,973	-212,581	-163,608
Investment property	4,750	-2,178	2,572	—	-2,178	-2,178
Other investments	3,168	—	3,168	2,693	—	2,693
Provided loans	117	—	117	36	—	36
Receivables	95,533	-168	95,365	53,125	-4,199	48,926
Other assets	5,346	-10,996	-5,650	2,558	—	2,558
Inventories	54,959	-44,983	9,976	14,631	-12,815	1,816
Provisions	50,840	-154	50,686	26,896	-13,027	13,869
Loan interest	417	-410	7	—	-579	-579
Payables	3,441	—	3,441	4,222	-273	3,949
Other payables	13,839	-28,752	-14,913	12,313	-26,966	-14,653
Tax losses of prior years	4,367	—	4,367	2,923	—	2,923
Other temporary differences	13,849	-38,718	-24,869	2,057	-7,632	-5,575
Total	**290,253**	**-777,081**	**-486,828**	**212,519**	**-409,802**	**-197,283**
Tax offsetting	**-102,985**	**102,985**	**—**	**-77,003**	**77,003**	**—**
Net deferred tax asset (tax liability)	**187,268**	**-674,096**	**-486,828**	**135,516**	**-332,799**	**-197,283**

A deferred tax asset arising from unutilised tax losses of prior years is only recognised if it is likely that a future taxable profit will be generated in respect of which it will be possible to utilise unutilised tax losses. The moment when the possibility of utilising tax losses expires is presented in the table below:

CZK thousand	2023	2024	2025	2026	2027 onwards	Total
Total tax losses	**2,044**	**40,675**	**25,990**	**12,196**	**7,566**	**88,471**
Tax losses – reported	319	1,594	20	1,160	1,271	4,364
Tax losses – unreported	1,725	39,081	25,970	11,036	6,295	84,107

Movements in Temporary Differences during the Year

Temporary difference in relation to the below items: (CZK thousand)	Balance at 1 January 2022	Reported through comprehensive income	Reported through equity	Acquired	Sold	Effect of changes in foreign exchange rates	Balance at 31 December 2022
Intangible fixed assets	-87,460	-35,230	—	-71,043	—	-66	-193,799
Property, plant and equipment	-163,608	7,388	-1,311	-266,370	3,304	3,300	-417,297
Investment property	-2,178	4,750	—	—	—	—	2,572
Other investments	2,693	475	—	—	—	—	3,168
Loans provided	36	81	—	—	—	—	117
Receivables	48,927	43,766	-1,298	5,136	—	-1,165	95,366
Other assets	2,559	-4,915	—	-3,617	—	324	-5,649
Inventories	1,817	-30,555	466	38,367	—	-118	9,977
Provisions	13,868	33,832	—	2,942	—	43	50,685
Loan interest	-579	448	125	—	—	13	7
Payables	3,948	-342	—	-72	—	-93	3,441
Other liabilities	-14,661	-7,214	-71	6,583	—	451	-14,912
Tax losses of prior years	2,923	551	-24	2,170	-1,158	-98	4,364
Other temporary differences	-5,568	-31,834	6,054	5,981	—	499	-24,868
Total	**-197,283**	**-18,799**	**3,941**	**-279,923**	**2,146**	**3,090**	**-486,828**

22. Inventory

CZK thousand	31 December 2022	31 December 2021
Material	5,160,417	2,684,889
Finished products	1,261,734	381,292
Goods	1,278,794	1,358,205
Work in progress	1,746,519	833,617
Prepayments to suppliers	4,100,238	802,493
Total inventory	**13,547,702**	**6,060,496**

As of 31 December 2022, the allowance for inventory was CZK 168,037 thousand (2021: CZK 151,938 thousand).

As of 31 December 2022, inventory of CZK 3,285,122 thousand (2021: CZK 2,189,353 thousand) was provided as collateral to secure bank loans.

23. Tax Receivables

CZK thousand	31 December 2022	31 December 2021
Corporate income tax	45,755	62,332
Value added tax	280,659	67,600
Other taxes	65,663	4,659
Total tax receivables	**392,077**	**134,591**

24. Cash and Cash Equivalents

CZK thousand	31 December 2022	31 December 2021
Current accounts with banks	5,401,450	1,814,212
Term deposits	416,495	766,821
Cash on hand	9,241	4,156
Other cash equivalents	212	392
Cash and cash equivalents in the cash flow statement	**5,827,398**	**2,585,581**

25. Assets Held for Sale

The Group reports no assets held for sale as of 31 December 2022 and 31 December 2021.

26. Equity

Share Capital

As of 31 December 2022, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000. As of 31 December 2021, share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000.

In 2021, the sole shareholder decided to increase the share capital of CZECHOSLOVAK GROUP a.s. The share capital was increased by CZK 1,998,000,000 from CZK 2,000,000 to CZK 2,000,000,000 from the Company's own resources, i.e. from other reserves - other capital reserves.

The increase in the share capital was carried out by increasing the nominal value of the existing shares held by the sole shareholder of the Company by increasing the nominal value of each share by CZK 99,900,000, i.e. to CZK 100,000,000, for the existing twenty registered book-entry shares with a nominal value of CZK 100,000 per share.

The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100,000 thousand.

In 2022, the Company paid no dividends (2021: CZK 0 thousand).

31 December 2022	Number of shares (Pieces)	Shares (CZK thousand)	Ownership percentage (%)	Voting rights (%)
CSG FIN a.s., Corporate ID: 141 41 442	20	2,000,000	100	100
Total shares	**20**	**2,000,000**	**100**	**100**

Funds reported in equity include the following items:

CZK thousand	31 December 2022	31 December 2021
Other capital reserves	858,695	858,658
Other indivisible reserves	81,310	79,363
Foreign currency translation reserve	-71,981	17,551
Total	**868,024**	**955,572**

Other Capital Reserves

These reserves primarily include contributions outside the share capital provided by the Company's sole shareholder, which amounted to CZK 898,897 thousand as of 31 December 2022 (2021: CZK 898,897 thousand)

Furthermore, these reserves also include the remeasurement of property, plant and equipment to fair value applied as "deemed cost" in line with IFRS 1 – First-Time Adoption of International Financial Reporting Standards (the Group decided not to report the difference as of the transition date through retained earnings but through 'Other reserve'). These remeasurements may be positive or negative.

Other Indivisible Reserves

A major portion of other indivisible reserves represents an effect on the Group's interest-rate advantage arising from the use of a non-interest bearing loan provided by the shareholder, which is recognised through equity.

The Group considers the loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Group in the form of exemption from interest. The fair value of a non-interest bearing loan is highly likely to differ from the nominal value during its initial recognition. The Group recognises the difference between the fair value of a loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2022, these non-reciprocal capital contributions totalled CZK 85,092 thousand (31 December 2021: CZK 85,628 thousand).

Reserve from Foreign Currency Translation

The reserve includes changes in the equity of companies with a functional currency other than the Czech crown due to exchange rate changes over time.

27. Non–Controlling Interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests (NCI) is set out below.

31 December 2022

CZK thousand	C3F – Fiocchi Group	EXCALIBUR ARMY spol. s r.o.	ZVS holding, a.s.	NIKA Development a.s.	VOP Nováky, a.s.	MSM Martin s.r.o.	CS SOFT a.s.	EXCALIBUR INTERNATIONAL a.s.	Other immaterial subsidiaries*	Consolidation elimination	Total
	Italy	Czech Republic	Slovak Republic	Czech Republic	Slovak Republic	Slovak Republic	Czech Republic	Czech Republic			
Non-controlling interest percentage	30.00%	10.00%	59.50%	8.03%	19.00%	19.00%	22.00%	10.00%	—	—	—
Non-current assets	14,470,300	944,905	329,817	1,762,191	203,336	533,424	216,227	112,674	—	—	—
Current assets	5,429,447	12,110,801	720,461	67,940	1,483,096	552,473	329,139	1,938,979	—	—	—
Non-current liabilities	5,852,951	1,720,708	42,174	—	77,650	16,976	73,772	5,936	—	—	—
Current liabilities	3,422,183	8,155,102	647,846	254	755,159	364,377	137,212	1,572,713	—	—	—
Net assets	**10,624,613**	**3,179,896**	**360,258**	**1,829,877**	**853,623**	**704,544**	**334,382**	**473,004**	**—**	**—**	**—**
Carrying amount of the non-controlling interest	**3,185,305**	**317,990**	**214,361**	**170,392**	**161,881**	**138,024**	**73,564**	**47,900**	**133,050**	**-17,894**	**4,424,573**
Revenue	649,866	13,491,072	996,775	—	1,893,076	590,591	297,640	1,103,429	—	—	—
Profit (+) / loss (-)	-27,929	1,664,071	741	67,621	625,915	51,266	158,391	120,159	—	—	—
Other comprehensive income (OCI)	-67,404	—	—	—	—	—	—	—	—	—	—
Total comprehensive in-come	**-95,333**	**1,664,071**	**846**	**67,621**	**714,844**	**58,550**	**158,391**	**120,159**	**—**	**—**	**—**
Profit (+) / loss (-) attributable to the NCI	-9,569	166,407	503	5,430	135,820	11,124	34,846	12,016	143,981		500,558
OCI attributable to the NCI	—	—	—	—	—	—	—	—	—	—	—
Net increase (+) / decrease (-) in cash and cash equivalents	**1,504,342**	**1,065,738**	**-46,029**	**33**	**92,033**	**115,115**	**-51,309**	**334,931**	**—**	**—**	**—**
Dividends paid to the NCI	**—**	**—**	**3,071**	**—**	**—**	**—**	**—**	**—**	**20,700**	**—**	**23,771**

* This primarily includes non-controlling interests in TATRA DEFENCE VEHICLE a.s. (CZK 34,408 thousand), FABRICA DE MUNICIONES DE GRANADA S.L (CZK 21,640 thousand), ELTON hodinářská, a.s. (CZK 20,581 thousand), RETIA, a.s. (CZK 19,625 thousand), and PPS Vehicles s.r.o. (CZK 13,685 thousand).

Material changes in the non-controlling interest during the year primarily include the following changes to the effective ownership interest:

In the year ended 31 December 2022:

- EHC Service s.r.o. from 7.65% to 0% (effective interest) as of 24 February 2022;
- HELI COMPANY s.r.o. from 7.65% to 0% (effective interest) as of 24 February 2022;
- Slovak Training Academy, s.r.o. from 7.65% to 0% (effective interest) as of 24 February 2022;
- STA TECHNOLOGY, s.r.o. from 38.13% to 0% (effective interest) as of 24 February 2022;
- DEFENCE TRADE SLOVAKIA s.r.o. from 19% to 12.22% (effective interest) as of 26 July 2022;
- EUROPEAN AIR SERVICES s.r.o. from 3% to 0% (effective interest) as of 24 February 2022;
- EUROPEAN AIR SERVICES SLOVAKIA s.r.o. from 15% to 0% (effective interest) as of 26 August 2022.

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests (NCI) is set out below.

31 December 2021

	EXCALIBUR ARMY spol. s r.o.	ZVS holding, a.s.	NIKA Development a.s.	MSM Martin s.r.o.	CS SOFT a.s.	TATRA DEFENCE VEHICLE a.s.	FABRICA DE MUNICIONES DE GRANADA S.	MSM Nováky, a.s.	Other immaterial subsidiaries*	Consolidation elimination	Total
CZK thousand	**Czech Republic**	**Slovak Republic**	**Czech Republic**	**Slovak Republic**	**Czech Republic**	**Czech Republic**	**Spain**	**Slovak Republic**			
Non-controlling interest percentage	10.00%	59.50%	8.03%	19.00%	22.00%	19.00%	19.00%	19.00%	—	—	—
Non-current assets	850,781	330,738	1,763,191	529,370	216,949	511,827	190,229	251,585	—	—	—
Current assets	4,440,829	615,606	383	648,502	105,665	2,579,138	171,238	780,135	—	—	—
Non-current liabilities	633,054	51,287	—	29,683	51,858	2,737,062	141,206	104,537	—	—	—
Current liabilities	1,852,523	520,694	-1,317	474,976	94,765	234,292	88,055	680,621	—	—	—
Net assets	**2,806,033**	**374,363**	**1,764,891**	**673,213**	**175,991**	**119,611**	**132,206**	**246,562**	**—**	**—**	**—**
Carrying amount of the non-controlling interest	**280,647**	**222,758**	**141,510**	**139,377**	**38,718**	**22,707**	**25,119**	**46,526**	**133,980**	**-296,055**	**755,287**
Revenue	2,777,018	993,347	—	1,207,360	164,702	634,510	357,388	513,996	—	—	—
Profit (+) / loss (-)	278,217	9,024	132,188	-10,303	26,902	18,432	-27,516	-68,012	—	—	—
Other comprehensive income (OCI)		-20,647	—	-40,953	—	—	-8,853	-17,316	—	—	—
Total comprehensive income	**278,217**	**-11,623**	**132,188**	**-51,256**	**26,902**	**18,432**	**-36,369**	**-85,328**	**—**	**—**	**—**
Profit (+) / loss (-) attributable to the NCI	27,822	5,369	10,615	-1,958	5,918	3,502	-5,228	-12,922	56,036	—	89,154
OCI attributable to the NCI	—	-12,285	—	-7,781			-1682	-3,290	-3,414	13,224	-15,228
Net increase (+) / decrease (-) in cash and cash equivalents	**-2,430**	**-105,105**	**15**	**-9,175**	**36,092**	**826,088**	**64,213**	**43,532**	**—**	**—**	**—**
Dividends paid to the NCI	**—**	**2,958**	**—**	**—**		**2,844**	**—**	**—**	**14,129**	**—**	**19,931**

* This primarily includes non-controlling interests in MSM LAND SYSTEMS s.r.o. (CZK 20,244 thousand), ELTON hodinářská, a.s.,(CZK 19,362 thousand), RETIA, a.s. (CZK 17,209 thousand), and EXCALIBUR INTERNATIONAL a.s., (CZK 15,369 thousand).

Material changes in the non-controlling interest during the year primarily include the following changes to the effective ownership interest:

In the year ended 31 December 2021:

- DAKO-CZ, a.s. from 51% to 100% as of 25 March 2021.
- TRANSELCO CZ s.r.o. from 51% to 100% as of 25 March 2021.
- RETIA, a.s. from 100% to 95% (effective interest) as of 25 June 2021.
- TATRA DEFENCE VEHICLE a.s. from 90% to 81% (effective interest) as of 11 January 2021.
- Slovak Training Academy, s.r.o. from 98% to 92% (effective interest) as of 11 January 2021.

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

28. Trade and Other Payables

CZK thousand	31 December 2022	31 December 2021
Prepayments received	117,849	104,639
Trade payables	3,836,832	1,874,115
Other payables	593,819	275,207
Payables to employees	320,391	131,857
Payables arising from outstanding vacation days	46,219	38,740
Government grants	11,453	28,078
Trade and other payables – subtotal	**4,926,563**	**2,452,636**
Unbilled supplies	693,793	586,034
Accrued expenses	130,658	19,113
Estimated payables – subtotal	**824,451**	**605,147**
Trade and other payables – total	**5,751,014**	**3,057,783**
Long-term	156,480	167,390
Short-term	5,594,534	2,890,393
Trade and other payables – total	**5,751,014**	**3,057,783**

29. Provisions

CZK thousand	Provision for loss-making contracts	Provision for complaints	Other provisions	Total
Balance at 1 January 2022	**—**	**79,786**	**158,976**	**238,762**
Acquisitions through transactions under joint control	—	—	—	—
Acquisitions through business combinations	—	0	38,672	38,672
Additions – provisions created in the given year	—	58,870	120,509	179,379
Creation (+) and release (-) of provisions through balance sheet	—	2,013	-62,915	-60,902
Use – provisions used in the given year	—	-4,733	-61,212	-65,945
Release – provisions released in the given year	—	-2,403	-5,461	-7,864
Sales outside the Group	—	—	-835	-835
Effects of changes in exchange rates	—	-117	-2,701	-2,818
Balance at 31 December 2022	**—**	**133,416**	**185,033**	**318,449**
Non-current	—	85,944	97,611	183,555
Current	—	47,472	87,422	134,894
Total provisions	**—**	**133,416**	**185,033**	**318,449**

The expected timeframe for the use of non-current provisions for complaints is two years, for the other provisions it is 5-10 years.

CZK thousand	Provision for loss-making contracts	Provision for complaints	Other provisions	Total
Balance at 1 January 2021	**—**	**65,502**	**119,193**	**184,695**
Acquisitions through transactions under joint control	—	—	—	—
Acquisitions through business combinations	—	—	—	—
Additions – provisions created in the given year	—	15,826	116,133	131,959
Creation (+) and release (-) of provisions through balance sheet	—	—	43,064	43,064
Use – provisions used in the given year	—	-1,425	-85,299	-86,724
Release – provisions released in the given year	—	-24	-1,531	-1,555
Sales outside the Group	—	—	-26,873	-26,873
Effects of changes in exchange rates	—	-93	-5,711	-5,804
Balance at 31 December 2021	**—**	**79,786**	**158,976**	**238,762**
Non-current	—	47,891	40,660	88,551
Current	—	31,895	118,316	150,211
Total provisions	**—**	**79,786**	**158,976**	**238,762**

30. Tax Payables

CZK thousand	31 December 2022	31 December 2021
Corporate income tax	766,774	154,612
Value added tax	91,169	100,325
Social security and health insurance	132,239	90,250
Other taxes	174,873	43,146
Total tax payables	**1,165,055**	**388,333**

As of 31 December 2022, the Group recorded no overdue payables arising from social security and health insurance or to tax authorities (2021: CZK 0). Other taxes primarily represent road tax and real estate tax.

31. Financial Guarantees and Contingent Liabilities

CZK thousand	31 December 2022	31 December 2021
Provided guarantees	2,492,437	969,056
Total financial guarantees	**2,492,437**	**969,056**

The total value of guarantees provided as of 31 December 2022 predominantly included guarantees provided by RETIA, a.s. (CZK 820,381 thousand), ELDIS Pardubice, s.r.o. (CZK 117,942 thousand), Excalibur Army spol. s r.o. (CZK 526,696 thousand), Prague Fertility Centre s.r.o. (CZK 230,000 thousand), and CZECHOSLOVAK GROUP a.s. (CZK 677,883 thousand).

Bank guarantees issued by the above entities are connected with guarantees to customers for the delivery of products without defects.

32. Risk Management Methods

This Note provides a detailed description of the financial and operating risks to which the Group is exposed and the methods used in managing them. The major financial risks to which the Group is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

The following table contains information about:

- Classes of financial instruments;
- Amortised cost of financial instruments;
- Fair values of financial instruments (with the exception of financial instruments whose net book value approximates their fair value); and
- The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

31 December 2022

CZK thousand	Note	Fair value – hedging instruments	Mandatorily at fair value FVTPL – other	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value												
Derivatives	19	—	959,844	—	—	—	—	959,844	—	959,844	—	959,844
Financial assets not reported at fair value												
Trade and other receivables	20	—	—	—	—	5,156,201	—	5,156,201	—	—	—	—
Prepayments made and accruals and deferrals	20	—	—	—	—	2,052,772	—	2,052,772	—	—	—	—
Provided loans	19	—	—	—	—	4,234,878	—	4,234,878	—	4,234,878	—	4,234,878
Other financial assets	19	—	—	—	—	1,463,370	—	1,463,370	—	1,463,370	—	1,463,370
Cash and cash equivalents	24	—	—	—	—	5,827,398	—	5,827,398	—	—	—	—
Costs of obtaining / fulfilling a contract		—	—	—	—	113,625	—	113,625	—	—	—	—
Contract assets		—	—	—	—	726,462	—	726,462	—	—	—	—
Total		—	—	—	—	**19,567,274**	—	**19,567,274**	—	**5,690,816**	—	**5,690,816**
Financial liabilities reported at fair value												
Derivatives	19	—	-12,861	—	—	—	—	-12,861	—	-12,861	—	-12,861
Total		—	**-12,861**	—	—	—	—	**-12,861**	—	**-12,861**	—	**-12,861**
Financial liabilities not reported at fair value												
Overdraft	19	—	—	—	—	—	-1,650,535	-1,650,535	—	-1,650,535	—	-1,650,535
Collateralised bank loans	19	—	—	—	—	—	-12,670,037	-12,670,037	—	-12,670,037	—	-12,670,037
Uncollateralised bank loans	19	—	—	—	—	—	-444,874	-444,874	—	-444,874	—	-444,874
Payables from finance leases	19	—	—	—	—	—	—	—	—	—	—	
Owner loans and loans from other related parties	19	—	—	—	—	—	-687,444	-687,444	—	-687,444	—	-687,444
Loans from third parties (other loans)	19	—	—	—	—	—	-288,131	-288,131	—	-288,131	—	-288,131
Trade and other payables	28	—	—	—	—	—	-5,751,014	-5,751,014	—	—	—	
Issued bonds including outstanding interest	19	—	—	—	—	—	-4,618,004	-4,618,004	—	-4,618,004	—	-4,618,004
Short- and long-term contractual payables		—	—	—	—	—	-15,043,897	-15,043,897	—	—	—	
Total		—	—	—	—	—	**-41,153,936**	**-41,153,936**	—	**-20,359,025**	—	**-20,359,025**

31 December 2021

CZK thousand	Note	Fair value – hedging instruments	Mandatorily at fair value FVTPL – other	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value												
Derivatives	19	—	298,948	—	—	—	—	298,948	—	298,948	—	298,948
Financial assets not reported at fair value												
Trade and other receivables	20	—	—	—	—	3,103,771	—	3,103,771	—	—	—	—
Prepayments made and accruals and deferrals	20	—	—	—	—	806,470	—	806,470	—	—	—	—
Provided loans	19	—	—	—	—	2,723,031	—	2,723,031	—	2,723,031	—	2,723,031
Other financial assets	19	—	—	—	—	574,472	—	574,472	—	574,472	—	574,472
Cash and cash equivalents	24	—	—	—	—	2,585,581	—	2,585,581	—	—	—	—
Costs of obtaining / fulfilling a contract		—	—	—	—	46,664	—	46,664	—	—	—	—
Contract assets		—	—	—	—	749,539	—	749,539	—	—	—	—
Total		**—**	**—**	**—**	**—**	**10,589,528**	**—**	**10,589,528**	**—**	**3,297,503**	**—**	**3,297,503**
Financial liabilities reported at fair value												
Derivatives	19		-45,373	—	—	—	—	-45,373	—	-45,373	—	-45,373
Total			**-45,373**	**—**	**—**	**—**	**—**	**-45,373**	**—**	**-45,373**	**—**	**-45,373**
Financial liabilities not reported at fair value												
Overdraft	19		—	—	—	—	-1,328,598	-1,328,598	—	-1,328,598	—	-1,328,598
Collateralised bank loans	19		—	—	—	—	-2,346,414	-2,346,414	—	-2,346,414	—	-2,346,414
Uncollateralised bank loans	19		—	—	—	—	—	—	—	—	—	—
Payables from finance leases	19		—	—	—	—	—	—	—	—	—	—
Owner loans and loans from other related parties	19		—	—	—	—	-53,962	-53,962	—	-53,962	—	-53,962
Loans from third parties (other loans)	19		—	—	—	—	-157,697	-157,697	—	-157,697	—	-157,697
Trade and other payables	28		—	—	—	—	-3,057,783	-3,057,783	—		—	—
Issued bonds including outstanding interest	19		—	—	—	—	-4,618,149	-4,618,149	—	-4,618,149	—	-4,618,149
Short- and long-term contractual payables			—	—	—	—	-4,894,851	-4,894,851	—		—	—
Total			**—**	**—**	**—**	**—**	**-16,457,454**	**-16,457,454**	**—**	**-8,504,820**	**—**	**-8,504,820**

A) Credit Risk

I. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Group's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.

Credit Risk Management in Respect of Trade and Other Receivables

The Group reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it.

The Group assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Group's internal guidelines. The Group's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Group also requires that its customers provide it with appropriate forms of guarantees or collateral.

Impairment Loss and Write-Off of Receivables

The Group recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Group.

To measure expected credit losses, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Group set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Group's business transactions are concluded with entities directly or closely related to state and public institutions.

Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.09% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade (refer to Standard and Poors 2020 Annual Global Corporate Default, Table No. 26).

The highest-risk group includes private businesses from countries with a rating of BBB+ and worse, which has been assigned the highest probability of default at 3.71% as of 31 December 2022 (3.71% as of 31 December 2021). This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade (refer to Standard and Poors 2020 Annual Global Corporate Default, Table No. 26).

The middle-risk group includes public entities from countries with a rating of BBB+ and worse. This group has been assigned the probability of default at 1.9%. This value has been selected as the arithmetic average of the low-risk and high-risk values.

Furthermore, the Group has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Group reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).

The Group anticipates loss given default (LGD) at 100%, if no guarantee or collateral was stipulated.

The Group always reports lifetime expected credit loss in respect of trade receivables, contract assets and receivables arising from leases.

The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, if such information is available to the Group.

In respect of other financial instruments, the Group reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect of the financial instrument, the Group will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

The model used was retrospectively tested in 2021 against the amount of the allowance for receivables recognised in 2019 and actual payments in 2019–2021. The amount of the total outstanding receivable differed only insignificantly from the recognised allowance. Partial differences occurred in the individual risk groups. The Group decided not to adjust the model for 2022, to prepare a further retrospective test at the end of 2023 and to adjust the model used, if necessary, according to the result.

Write-off of Receivables

The Group assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Group's management will decide to write it off.

Receivables by aging in 2018	Allowances by payment in 2019–2021	Allowances by model used
Before due date	2.39%	1.00%
1–90 days past due	3.50%	2.56%
91–180 days past due	1.11%	3.83%
181–360 days past due	22.83%	50.00%
More than 360 days past due	65.56%	100.00%
Total	**6.10%**	**6.82%**

II. Impairment losses

The aging analysis and impairment losses in respect of financial assets with the exception of cash and cash equivalents as of the balance sheet date:

Trade and other receivables and contract assets

As of 31 December 2022 (CZK thousand)	Gross	Allowance	Average credit loss
Group*			
1	4,087,467	-226,289	-5.54%
2	1,322,873	-89,986	-6.80%
3	925,166	-136,568	-14.76%
4	—	—	0.00%
Total	**6,335,506**	**-452,843**	
Maturity			
Covered portion of financial assets	2,539,255	—	0.00%
Before due date	2,543,711	-36,257	-1.43%
1–90 days past due	629,394	-20,144	-3.20%
91–180 days past due	122,118	-4,531	-3.71%
181–360 days past due	218,235	-109,118	-50.00%
More than 360 days past due	282,793	-282,793	-100.00%
Total	**6,335,506**	**-452,843**	

* Low risk (Group 1), Middle risk (Group 2), High risk (Group 3), Critical (Group 4)

As of 31 December 2021 (CZK thousand)	Gross	Allowance	Average credit loss
Group*			
1	2,477,854	-165,507	-6.47%
2	1,138,988	-98,615	-8.66%
3	549,229	-48,639	-8.86%
4	28,455	-28,455	-100.00%
Total	**4,194,526**	**-341,216**	
Maturity			
Covered portion of financial assets	969,900	—	0.00%
Before due date	2,617,993	-39,819	-1.52%
1–90 days past due	202,344	-4,537	-2.24%
91–180 days past due	77,139	-2,845	-3.69%
181–360 days past due	66,269	-33,134	-50.00%
More than 360 days past due	260,881	-260,881	-100.00%
Total	**4,194,526**	**-341,216**	

* Low risk (Group 1), Middle risk (Group 2), High risk (Group 3), Critical (Group 4)

Provided loans and other financial assets

The stated gross amounts and allowances include short-term and long-term loans and other financial assets, excluding derivatives and bank accounts with limited access.

As of 31 December 2022 (CZK thousand)	Gross	Allowance	Average credit loss
Group			
1	4,634,562	-119,038	-2.57%
2	174,158	-296	-0.17%
4	—	—	0.00%
Total	**4,808,720**	**-119,334**	
Maturity			
Covered portion of financial assets	204,939	—	0.00%
Before due date	4,488,255	-4,724	-0.11%
1–90 days past due	—	—	0.00%
91–180 days past due	—	—	0.00%
181–360 days past due	1,832	-916	0.00%
More than 360 days past due	113,694	-113,694	-100.00%
Total	**4,808,720**	**-119,334**	

As of 31 December 2021 (CZK thousand)	Gross	Allowance	Average credit loss
Group			
1	3,000,991	-2,711	-0.09%
2	47,392	-47	-0.10%
4	62,756	-62,756	-100.00%
Total	**3,111,139**	**-65,514**	
Maturity			
Covered portion of financial assets	75,787	—	0.00%
Before due date	2,972,228	-2,719	-0.09%
1–90 days past due	335	-6	-1.79%
91–180 days past due	—	—	0.00%
181–360 days past due	—	—	0.00%
More than 360 days past due	62,789	-62,789	-100.00%
Total	**3,111,139**	**-65,514**	

The following movements were reported in allowances against financial assets in the year ended 31 December 2022:

CZK thousand	Allowance as of 2022	Allowance as of 2021
Balance at 1 January	**436,462**	**400,458**
Impairment losses reported during the period	237,383	138,311
Cancellation of the impairment loss reported during the period	-40,001	-75,951
Acquisitions under joint control	—	—
Acquisitions through business combinations	—	—
Sale of equity investment with loss of control	—	-22,605
Impact of changes in FX rates	-9,795	-3,751
Balance at 31 December	**624,049**	**436,462**

As of the balance sheet date, the maximum exposure to credit risk is classified by counterparty and geographical location as presented in the tables below.

As of 31 December 2022, the Company created an allowance for non-financial assets of CZK 51,872 thousand (2021: CZK 29,732 thousand).

Credit Risk by Counterparty

As of 31 December 2022 (CZK thousand)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	2,334,245	135,695	1,838,377	2,346,683	3,092	**6,658,092**
Trade and other receivables	4,385,923	728,004	10,678	28,462	3,134	**5,156,201**
Contract assets	280,983	445,479	—	—	—	**726,462**
Tax receivables	14,210	377,867	—	—	—	**392,077**
Cash and cash equivalents	—	1,640	5,825,758	—	—	**5,827,398**
Total	**7,015,361**	**1,688,685**	**7,674,813**	**2,375,145**	**6,226**	**18,760,230**

As of 31 December 2021 (CZK thousand)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	1,562,844	—	551,034	1,480,261	2,314	**3,596,452**
Trade and other receivables	2,605,469	450,192	40,135	7,816	158	**3,103,771**
Contract assets	616,142	133,397	—	—	—	**749,539**
Tax receivables	16,914	124,688	-7,011	—	—	**134,591**
Cash and cash equivalents	—	—	2,585,581	—	—	**2,585,581**
Total	**4,801,369**	**708,277**	**3,169,739**	**1,488,077**	**2,472**	**10,169,934**

Credit Risk by Territory

As of 31 December 2022 (CZK thousand)	Czech Republic	Slovakia	Other*	Total
Assets				
Loans and other financial assets	5,952,915	99,113	606,064	**6,658,092**
Trade receivables and other assets	967,565	184,881	4,003,755	**5,156,201**
Contract assets	86,732	67,159	572,571	**726,462**
Tax receivables	198,226	59,878	133,973	**392,077**
Cash and cash equivalents	3,314,401	858,639	1,654,358	**5,827,398**
Total	**10,519,839**	**1,269,670**	**6,970,721**	**18,760,230**

* The category of "Other" primarily includes receivables from other European Union countries, such as Hungary, Bulgaria, and Italy, and from other than European Union countries, such as Ukraine, USA, UAE, Pakistan, and Vietnam.

As of 31 December 2021 (CZK thousand)	Czech Republic	Slovakia	Other*	Total
Assets				
Loans and other financial assets	3,228,563	267,119	100,771	**3,596,452**
Trade receivables and other assets	1,080,192	166,779	1,856,799	**3,103,771**
Contract assets	26,058	57,874	665,607	**749,539**
Tax receivables	117,413	17,178	—	**134,591**
Cash and cash equivalents	2,441,678	78,770	65,133	**2,585,581**
Total	**6,893,904**	**587,720**	**2,688,310**	**10,169,934**

* The category of "Other" primarily includes receivables from other European Union countries, such as Hungary and Bulgaria, and from other than European Union countries, such as United Arab Emirates, Pakistan, and Vietnam.

B) Liquidity Risk

Liquidity risk is a risk of the Group running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets. Individual Group entities use different methods to manage liquidity risk.

The Group's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Group is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Group's liquidity risk management strategy.

The below-stated table presents a breakdown of the Group's contractual cash flows classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Group applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates. Liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

As of 31 December 2022 (CZK thousand)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	16,778,262	17,117,970	652,720	3,851,409	11,213,883	895,047	504,911
Bonds	4,587,148	5,367,594	50,629	165,877	5,108,824	—	42,264
Trade and other paya-bles	4,442,104	4,442,104	3,247,852	661,653	14,221	—	518,379
Lease liabilities	922,821	951,412	37,948	109,858	510,540	293,066	—
Total	**26,730,335**	**27,879,080**	**3,989,149**	**4,788,797**	**16,847,468**	**1,188,113**	**1,065,554**

As of 31 December 2021 (CZK thousand)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	4,663,129	5,002,837	496,396	1,717,708	2,049,982	92,765	645,986
Bonds	4,575,885	5,356,331	51,503	159,725	5,145,103	—	—
Trade and other paya-bles	2,177,400	2,177,400	1,548,455	432,155	167,390	—	29,401
Lease liabilities	653,240	673,596	35,070	66,548	377,776	194,202	—
Total	**12,069,654**	**13,210,164**	**2,131,424**	**2,376,136**	**7,740,251**	**286,967**	**675,387**

The value of loans under "unspecified due date" represents loans that have no set contractual maturity but they are payable upon the creditor's request.

The contractual cash flows are higher than the carrying amount due to the inclusion of unrecognised future interest.

The Group does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

Among others, financial liabilities were also used to fund non-current assets and inventories.

C) Interest Rate Risk

During its activities, the Group is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate refixing dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Group manages interest rate risk through interest rate swaps. As of 31 December 2022, CZECHOSLOVAK GROUP a.s. had interest rate swaps in place for a credit facility in CZK, hedging floating 6M Pribor interest rates at fixed rates from 1.22% to 5.39% in the total volume of CZK 2,900,000 thousand during the period from 2023 to 2026. For a credit facility in EUR, the company hedged floating 1M-3M Euribor interest rates at fixed rates from 0.49% to 2.89% in the total volume of EUR 155,039 thousand during the period from 2023 to 2028. Additionally, the company had concluded a currency interest rate swap CZK/EUR in the volume of CZK 467,480 thousand / EUR 19,050 thousand with a fixed rate of 16.65% for the CZK portion and 6M Euribor + 11% for the EUR portion.

As of 31 December 2021 and 2020, CZECHOSLOVAK GROUP a.s. had interest rate swaps in place, hedging floating 6M Pribor interest rates at fixed rates from 1.2% to 3.43% for a credit facility in the total volume of CZK 2,100,000 thousand during the period from 2022 to 2026.

As of 31 December 2022, JOB AIR Technic a.s. had concluded interest rate swaps at fixed rates ranging from 1.21% to 3.25% to hedge the floating interest rates of loans amounting to EUR 3,690,094 and USD 423,497.

As of 31 December 2021, JOB AIR Technic a.s. had concluded an interest rate swap for the fixed rate of 0.365% to hedge the floating interest rate of a loan amounting to EUR 5,833,330.

As of 31 December 2022, EXCALIBUR ARMY spol. s r.o. had concluded an interest option for the fixed rate of 0.120% to hedge the floating interest rate of a loan amounting to EUR 727,500 (2021: EUR 1,195,000).

The table presented below presents information on the level of the Group's interest rate risk either based on the contractual maturity periods of the Group's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2022 and 31 December 2021 not including the effects of derivatives are as follows:

As of 31 December 2022 (CZK thousand)	Floating interest rate Less than 1 year	1 year to 5 years	More than 5 years	Fixed interest rate or unspecified	Total
Interest-bearing financial assets					
Loans and other financial as-sets	3,856,895	768,592	66,941	1,965,664	6,658,092
Total	**3,856,895**	**768,592**	**66,941**	**1,965,664**	**6,658,092**
Interest-bearing financial liabilities					
Loans and borrowings	7,915,233	6,323,715	698,456	803,617	15,741,021
Bonds	4,219,247	—	—	367,901	4,587,148
Total	**12,134,480**	**6,323,715**	**698,456**	**1,171,518**	**20,328,169**
Net interest-rate risk balance	**-8,277,585**	**-5,555,123**	**-631,515**	**794,146**	**-13,670,077**

As of 31 December 2021 (CZK thousand)	Floating interest rate Less than 1 year	1 year to 5 years	More than 5 years	Fixed interest rate or unspecified	Total
Interest-bearing financial assets					
Loans and other financial as-sets	484,350	267,923	—	2,844,179	3,596,452
Total	**484,350**	**267,923**	**—**	**2,844,178**	**3,596,451**
Interest-bearing financial liabilities					
Loans and borrowings	2,352,439	919,902	40,677	573,653	3,886,671
Bonds	3,998,800	—	—	577,085	4,575,885
Total	**6,351,239**	**919,902**	**40,677**	**1,150,738**	**8,462,556**
Net interest-rate risk balance	**-5,866,889**	**-651,979**	**-40,677**	**1,693,440**	**-4,866,105**

Sensitivity Analysis

The Group performs stress testing using the standardised interest rate shock scenario, during which an immediate decrease/increase in interest rates of 100 basis points is applied to the portfolio interest rate positions in the whole length of the revenue curve.

As of the balance sheet date, the change in interest rates of 100 basis points would increase or decrease profit by the amounts presented in the following table. The analysis assumes that all other variables, namely foreign currency exchange rates, will remain unchanged.

Loans (CZK thousand)	Year ended 31 December 2022	Year ended 31 December 2021
Interest rate decrease of 100 basis points	146,665	33,482
Interest rate increase of 100 basis points	-146,665	-33,482

Following the recognition of the above-described derivative, only a portion of CZK 1,680,972 thousand (2021: CZK 1,889,800 thousand) of the financial liabilities from issued bonds is effectively exposed to the floating interest rate risk.

Bonds (CZK thousand)	Year ended 31 December 2022	Year ended 31 December 2021
Interest rate decrease of 100 basis points	16,810	18,998
Interest rate increase of 100 basis points	-16,810	-18,998

The fair value of CSG bonds (net price without accrued interest) as of 31 December 2022 is CZK 1,993,940 thousand for the VAR/24 issue, CZK 1,987,270 thousand for the VAR/26 issue, CZK 333,890 thousand for the VAR/26 issue in EUR and CZK 217,200 thousand for the VAR/27 issue in EUR.

The fair value of CSG bonds (net price without accrued interest) as of 31 December 2021 is CZK 1,992,600 thousand for the VAR/24 issue, CZK 1,960,200 thousand for the VAR/26 issue and CZK 593,700 thousand for the VAR/26 issue in EUR.

D) Currency Risk

The Group's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.

The entities in the Group are exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the relevant functional currencies applied by the Group. This primarily includes EUR and USD in respect of Czech entities and CZK and USD in respect of Slovak entities. For more information about the countries where the entities primarily operate, refer to Note 35.

The Company manages currency risk by concluding derivative transactions to hedge future cash flows (however, this does not constitute hedge accounting) and also covers currency risk management for the CSG Group.

The table below presents a summary of currency derivatives in nominal values for years 2023–2026 recorded by the Group as of 31 December 2022 (the values are presented in CZK thousand as equivalents):

As of 31 December 2022 (CZK thousand)	2023 EUR	USD	Total	2024 EUR	USD	Total
Currency derivatives for purchase						
FX forward	463,548	—	463,548	114,975	—	114,975
FX Option	31,548	—	31,548	—	—	—
FX Swap	345,384	—	345,384	—	—	—
Total currency derivatives for purchase	**840,480**	**—**	**840,480**	**114,975**	**—**	**114,975**
Currency derivatives for sale						
FX forward	3,027,000	293,833	3,320,833	2,806,271	147,237	2,953,508
FX Option	41,012	—	41,012	—	—	—
FX Swap	73,633	—	73,633	—	—	—
Total currency derivatives for sale	**3,141,645**	**293,833**	**3,435,478**	**2,806,271**	**147,237**	**2,953,508**

As of 31 December 2022 (CZK thousand)	2025 EUR	USD	Total	2026 EUR	USD	Total
Currency derivatives for purchase						
FX forward	—	—	—	—	—	—
FX Option	—	—	—	—	—	—
FX Swap	—	—	—	—	—	—
Total currency derivatives for purchase	**—**	**—**	**—**	**—**	**—**	**—**
Currency derivatives for sale						
FX forward	1,269,718	153,007	1,422,725	27,630	120,462	148,092
FX Option	—	—	—	—	—	—
FX Swap	—	—	—	—	—	—
Total currency derivatives for sale	**1,269,718**	**153,007**	**1,422,725**	**27,630**	**120,462**	**148,092**

The fair value of the open positions disclosed above amounts to CZK 959,844 thousand in the financial assets line and CZK 12,861 thousand in the financial liabilities line, see Note 20.

The following table presents the structure of assets and liabilities as of 31 December 2022 (31 December 2021) by currency (translated to CZK thousand) at the level of the Group:

As of 31 December 2022 (CZK thousand)	CZK	EUR	HUF	USD	Other	Total
Assets						
Loans and other financial assets	3,787,138	1,919,011	—	273,588	678,355	**6,658,092**
Trade and other receivables	951,544	2,897,854	—	1,190,451	116,352	**5,156,201**
Contract assets	87,021	240,445	—	398,996	—	**726,462**
Cash and cash equivalents	1,076,417	3,758,356	25	945,687	46,913	**5,827,398**
Total assets	**5,902,120**	**8,815,666**	**25**	**2,808,722**	**841,620**	**18,368,153**
Liabilities						
Loans, borrowings and other financial instruments	1,412,724	15,334,297	—	—	31,241	**16,778,262**
Bonds	4,587,148	—	—	—	—	**4,587,148**
Trade and other payables	1,590,123	3,065,532	19,186	987,740	88,433	**5,751,014**
Total liabilities	**7,589,995**	**18,399,829**	**19,186**	**987,740**	**119,674**	**27,116,424**
Net currency risk balance	**-1,687,875**	**-9,584,163**	**-19,161**	**1,820,982**	**721,946**	**-8,748,271**

As of 31 December 2021 (CZK thousand)	CZK	EUR	HUF	USD	Other	Total
Assets						
Loans and other financial assets	2,516,192	1,011,157	—	69,053	50	**3,596,452**
Trade and other receivables	979,847	972,330	59257	1,065,321	27,016	**3,103,771**
Contract assets	20,191	729,348	—	—	—	**749,539**
Cash and cash equivalents	1,900,391	490,163	9331	160,681	25,015	**2,585,581**
Total assets	**5,416,621**	**3,202,998**	**68,588**	**1,295,055**	**52,081**	**10,035,343**
Liabilities						
Loans, borrowings and other financial instruments	1,923,897	2,543,408	4,475	190,704	645	**4,663,129**
Bonds	4,575,885	—	—	—	—	**4,575,885**
Trade and other payables	1,466,864	972,179	—	595,142	23,598	**3,057,783**
Total liabilities	**7,966,646**	**3,515,587**	**4,475**	**785,846**	**24,243**	**12,296,797**
Net currency risk balance	**-2,550,025**	**-312,589**	**64,113**	**509,209**	**27,838**	**-2,261,454**

The following table presents the exposure to currency risk as of 31 December 2022 (31 December 2021) without the recognition of financial derivatives:

As of 31 December 2022 (CZK thousand)	CZK	EUR	HUF	USD	Other	Total
Assets						
Loans and other financial assets	5	1,817,178	—	273,588	678,355	**2,769,126**
Trade and other receivables	—	1,766,078	—	1,190,451	116,352	**3,072,881**
Contract assets	—	240,734	—	398,996	—	**639,730**
Cash and cash equivalents	44	2,110,448	25	945,687	46,913	**3,103,117**
Total assets	**49**	**5,934,438**	**25**	**2,808,722**	**841,620**	**9,584,854**
Liabilities						
Loans, borrowings and other financial instru-ments	—	7,936,755	—	—	31,241	**7,967,996**
Trade and other payables	—	862,698	19,186	987,740	88,433	**1,958,057**
Total liabilities	**—**	**8,799,453**	**19,186**	**987,740**	**119,674**	**9,926,053**
Net currency risk balance	**49**	**-2,865,015**	**-19,161**	**1,820,982**	**721,946**	**-341,199**

As of 31 December 2021 (CZK thousand)	CZK	EUR	HUF	USD	Other	Total
Assets						
Loans and other financial assets	—	744,373	—	69,053	50	**813,476**
Trade and other receivables	—	732,033	59,257	1,065,321	27,016	**1,883,627**
Contract assets	—	608,354	—	—	—	**608,354**
Cash and cash equivalents	298	347,900	9,331	160,681	25,015	**543,225**
Total assets	**298**	**2,432,660**	**68,588**	**1,295,055**	**52,081**	**3,848,682**
Liabilities						
Loans, borrowings and other financial instruments	—	1,130,765	4,475	190,704	645	**1,326,589**
Trade and other payables	1,144	422,151	—	595,142	23,598	**1,042,035**
Total liabilities	**1,144**	**1,552,916**	**4,475**	**785,846**	**24,243**	**2,368,624**
Net currency risk balance	**-846**	**879,744**	**64,113**	**509,209**	**27,838**	**1,480,058**

The following material exchange rates applied during the year:

CZK	31 December 2022 Average rate	31 December 2022 Spot exchange rate as of the balance sheet date	31 December 2021 Average rate	31 December 2021 Spot exchange rate as of the balance sheet date
1 EUR	24.565	24.115	25.645	24.860
1 USD	23.360	22.616	21.682	21.951

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Group considered to be sufficiently likely at of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

Effect on profit or loss (CZK thousand)	31 December 2022	31 December 2021
EUR (10% strengthening)	958,416	31,259
USD (10% strengthening)	-182,098	-50,921

The weakening of the Czech crown as of the balance sheet date compared to the above-listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

E) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Group's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk.

The Group's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Group's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity.

The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Group's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

F) Capital Management

The Group's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions and settlement of financial liabilities.

The Company is subject to external capital requirements arising from bond placement terms. Furthermore, the Company and its subsidiaries are subject to requirements arising from contracts with banks.

As of the balance sheet date, the Group reported the following ratio of debt to adjusted capital:

CZK thousand	31 December 2022	31 December 2021
Total liabilities	**44,317,921**	**18,151,542**
Decrease for cash and cash equivalents	-5,827,398	-2,585,581
Adjusted net debt	**38,490,523**	**15,565,961**
Total equity attributable to the holders of the Company's equity	11,375,468	8,496,970
Decrease for amounts accumulated in equity in relation to cash flow hedging	–	–
Adjusted capital	**11,375,468**	**8,496,970**
Ratio of debt to adjusted capital	**3.38**	**1.83**

33. Operating Segments

The Group reports its results divided by individual operating segments, for which individual financial indicators exist and are monitored and assessed by management on an individual basis. These financial indicators principally include income from external customers (from the sale of own products, goods, from provided services, rental and long-term contracts) and operating expenses which, in the aggregate, constitute the income from operating activities. Management also monitors and assesses total assets and liabilities in respect of individual segments.

At the Group level, reported segments comprise individual group entities with a similar economic specialisation and business activity.

The Group is divided into the following reported segments:

1) CSG Aerospace

The following entities operate in this segment: Česká letecká servisní a.s., EUROPEAN AIR SERVICES s.r.o., JOB AIR Technic a.s., ELDIS Pardubice, s.r.o., and RETIA a.s. These entities principally focus on the development and production of radar systems, development of air traffic control systems and maintenance and repairs of aircraft and aircraft equipment.

2) CSG Defence

Group entities whose principal business activity involves trade and manufacturing activities, or providing services in the area of military material, military equipment and systems belong to the CSG DEFENCE segment. A major portion of sales is realised with external customers outside the CSG Group, namely in the European Union, Ukraine, Asia and Africa. This segment is dominated by Excalibur Army s.r.o., Czech leader on the military material market offering a wide range of military vehicles, weapon systems and ammunition for which it provides comprehensive services – spare parts, ammunition, repairs and modernisation. Some vehicles are manufactured internally directly by Excalibur Army s.r.o. and so is a wide array of spare parts. EXCALIBUR INTERNATIONAL a.s. specialises in trading with aviation technology and special material including related logistics and after-sale services. TATRA DEFENCE VEHICLE focuses mainly on the development, production, overhaul and modernisation of mainly armoured and special vehicles for domestic and foreign customers. The Slovak entity MSM Martin a.s. predominantly focuses on the repairs of ground military equipment and modernisation of military and special vehicles including the sale of spare parts. Furthermore, the company specialises in the production of ammunition; its services cover the entire ammunition life cycle including technical life extensions. The Company also develops and produces radio-navigation electronics. The Slovak entities ZVS deal with the production of ammunition and development, production and sale of guns. The Spanish company FABRICA DE MUNICIONES DE GRANADA S.L. predominantly manufactures ammunition.

3) CSG Automotive

Major players in the CSG AUTOMOTIVE segment principally include TRUCK SERVICE GROUP s.r.o., NIKA DEVELOPMENT a.s., and TATRA MANUFACTURE a.s. The company TRUCK SERVICE GROUP s.r.o. is mainly dedicated to the purchase, overhaul and financing of TATRA vehicles. Companies in this segment realise most of their sales outside the CSG Group.

4) CSG Rail

In this segment, DAKO-CZ, a.s. dominates as a manufacturer of pneumatic, electromechanical, and hydraulic braking systems and components for rail vehicles with a 205-year tradition. Additionally, the subsidiaries of the aforementioned manufacturer also play a significant role.

5) CSG Ammo+

This segment was created through a significant acquisition of a 70% equity interest in the Fiocchi Group, which is the world's third largest small-calibre ammunition manufacturer. The Italian family-owned company, originally founded in 1876, has production facilities not only in its country of origin, but also in the UK and the USA. The main representative of the group is Fiocchi Munizioni S.p.A., followed by its subsidiaries Fiocchi of America Inc and Fiocchi UK Limited.

6) CSG Businnes Project

The operating segment CSG BUSINESS PROJECT includes entities having an economic specialisation different from that of entities included in the operating segments disclosed above. The income generated by those entities is principally attributable to the rental of real estate and sales of consumables. In 2021, this segment was expanded to include Prague Fertility Centre, a clinic for assisted reproduction.

The above-specified operating segments have their individual management at the level of individual entities; their accounting policies are identical. The Company accounts for the income and transactions between segments as if they represented income and transaction with third parties, i.e. at the level of arm's length prices.

The following tables summarise the information on operating segments for the period from 1 January 2022 to 31 December 2022 and as of 31 December 2022 and for the period from 1 January 2021 to 31 December 2021 and as of 31 December 2021:

Year ended 31 December 2022 (CZK thousand)	**CSG Aerospace**	**CSG Defence**	**CSG Automotive**	**CSG Rail**	**CSG Ammo+**	**CSG Business Projects**	**Elimination of mutual relations**	**Consolidated data**
External customers	2,314,355	17,685,637	169,779	2,203,885	649,865	1,909,127		
Between segments	342,173	6,101,803	12,350	458,525	—	552,449	-7,467,300	—
Sales	**2,656,528**	**23,787,440**	**182,129**	**2,662,410**	**649,865**	**2,461,576**	**-7,467,300**	**24,932,648**
Consumed material and costs of goods sold	-577,266	-15,542,636	-116,964	-1,338,590	-333,617	-866,694	5,445,460	-13,330,307
Services	-692,503	-4,041,743	-16,878	-362,874	-124,171	-934,748	2,034,289	-4,138,628
Staff costs	-967,408	-1,137,321	-15,563	-443,953	-138,055	-413,204	104	-3,115,400
Amortisation / depreciation of fixed assets	-234,130	-246,142	-3,267	-74,675	-36,430	-100,244	—	-694,888
Other operating income	-163,401	-206,551	-2,658	-68,429	-28,138	-310,674	72,655	-707,196
Other operating expense	233,603	717,197	704	53,293	29,038	96,021	-82,670	1,047,186
Profit (loss) from operating activities	**255,423**	**3,330,244**	**27,503**	**427,182**	**18,492**	**-67,967**	**2,538**	**3,993,415**
Financial income	126,699	9,856	3,371	132,345	25,269	441,942	-393,170	346,312
Financial expense	-187,729	-312,024	-3,631	-75,010	-97,283	-682,246	388,329	-969,594
Profit (loss) from other financial instru-ments	32,869	139,415	—	111,101	7,001	549,357	-10	839,733
Profit (loss) from financing activities	**-28,161**	**-162,753**	**-260**	**168,436**	**-65,013**	**309,053**	**-4,851**	**216,451**
Share of profit (loss) of associates and joint ventures	—	—	65,000	—	—	185,487	—	250,487
Profit (loss) from the sale of equity interests	—	41,761	—	—	—	-31,490	—	10,271
Profit (loss) before tax	**227,262**	**3,209,252**	**92,243**	**595,618**	**-46,521**	**395,083**	**-2,313**	**4,470,624**
Income tax	-104,954	-629,312	-5,642	-118,563	-7,295	-131,019	—	-996,785
Net profit (loss) from continuing operations	**122,308**	**2,579,940**	**86,601**	**477,055**	**-53,816**	**264,064**	**-2,313**	**3,473,839**
Interest income	104,915	130,845	4,066	16,973	157	365,631	-291,966	330,621
Interest expense	-133,423	-208,737	-3,481	-40,283	-64,684	-611,463	304,563	-757,508
Interest expense from lease liabilities	-3,293	-9,980	—	-307	-565	-8,931	—	-23,076
Net interest profit (loss)	**-31,801**	**-87,872**	**585**	**-23,617**	**-65,092**	**-254,763**	**12,597**	**-449,963**
Income tax	-104,954	-629,312	-5,642	-118,563	-7,295	-131,019	—	-996,785
EBIT	**259,063**	**3,297,124**	**91,658**	**619,235**	**-18,571**	**649,846**	**-14,910**	**4,920,587**
Depreciation / amortisation	-234,130	-246,142	-3,267	-74,675	-36,430	-100,244	—	-694,888
EBITDA	**493,193**	**3,543,266**	**94,925**	**693,910**	**55,001**	**750,090**	**-14,910**	**5,615,475**

Year ended 31 December 2021 (CZK thousand)	**CSG Aerospace**	**CSG Defence**	**CSG Automotive**	**CSG Rail**	**CSG Ammo+**	**CSG Business Projects**	**Elimination of mutual relations**	**Consolidated data**
External customers	3,563,315	6,168,112	57,357	1,593,349	—	3,062,097	—	14,444,230
Between segments	142,787	145,971	14,267	1,924	—	308,740	-613,689	—
Sales	**3,706,102**	**6,314,083**	**71,624**	**1,595,273**	**—**	**3,370,837**	**-613,689**	**14,444,230**
Consumed material and costs of goods sold	-913,479	-3,365,926	-44,162	-618,690	—	-2,351,539	352,186	-6,941,610
Services	-1,026,176	-1,543,290	-11,826	-232,429	-19	-512,213	325,069	-3,000,884
Staff costs	-927,763	-960,801	-13,087	-374,550	—	-451,689	53	-2,727,837
Amortisation / depreciation of fixed assets	-249,876	-261,172	-2,029	-70,482	—	-119,000	—	-702,559
Other operating income	-162,735	-242,181	768	-32,309	-9	-129,260	4,132	-561,594
Other operating expense	148,237	448,591	4,169	37,460	—	197,962	-50,696	785,723
Profit (loss) from operating activities	**574,310**	**389,304**	**5,457**	**304,273**	**-28**	**5,098**	**17,055**	**1,295,469**
Financial income	29,734	16,243	4,470	696	—	175,575	-119,103	107,615
Financial expense	-100,823	-293,608	-1,619	24,097	-1	-354,307	100,306	-625,955
Profit (loss) from other financial instru-ments	7,075	33,006	-1,000	-1,030,301	—	1,313,410	1,374	323,564
Profit (loss) from financing activities	**-64,014**	**-244,359**	**1,851**	**-1,005,508**	**-1**	**1,134,678**	**-17,423**	**-194,776**
Share of profit (loss) of associates and joint ventures	—	—	130,000	—	—	-11,057	—	118,943
Profit (loss) from the sale of equity interests	—	132	—	—	—	436,955	—	437,087
Profit (loss) before tax	**510,296**	**145,077**	**137,308**	**-701,235**	**-29**	**1,565,674**	**-368**	**1,656,723**
Income tax	-99,439	-82,695	-644	-76,450	—	-80,711	—	-339,939
Net profit (loss) from continuing operations	**410,857**	**62,382**	**136,664**	**-777,685**	**-29**	**1,484,963**	**-368**	**1,316,784**
Interest income	29,691	12,192	4,470	696	—	121,887	-65,726	103,210
Interest expense	-66,415	-160,186	-1,545	-25,580	—	-257,321	65,821	-445,226
Interest expense from lease liabilities	-3,978	-15,682	—	-244	—	-7,108	—	-27,012
Net interest profit (loss)	**-40,702**	**-163,676**	**2,925**	**-25,128**	**—**	**-142,542**	**95**	**-369,028**
Income tax	-99,439	-82,695	-644	-76,450	—	-80,711	—	-339,939
EBIT	**550,998**	**308,753**	**134,383**	**-676,107**	**-29**	**1,708,216**	**-463**	**2,025,751**
Depreciation / amortisation	-249,876	-261,172	-2,029	-70,482	—	-119,000	—	-702,559
EBITDA	**800,874**	**569,925**	**136,412**	**-605,625**	**-29**	**1,827,216**	**-463**	**2,728,310**

Total assets and liabilities by segments

As of 31 December 2022 (CZK thousand)	CSG Aerospace	CSG Defence	CSG Automotive	CSG Rail	CSG Ammo+	CSG Business Projects	Elimination of mutual relations	Consolidated data
Total assets per segment	**10,744,881**	**32,072,744**	**2,239,484**	**4,445,843**	**19,970,162**	**14,290,502**	**-23,645,654**	**60,117,962**
Entities accounted for using the equity method	–	430,912	2,076,600	–	30,698	8,646	–	2,546,961
Capital expenses (CAPEX)	323,122	406,690	32,696	709,409	49,720	247,335	–	1,768,972
Total liabilities per segment	**-9,267,910**	**-26,859,118**	**-42,717**	**-3,655,066**	**-11,549,780**	**-16,588,936**	**23,645,606**	**-44,317,921**

As of 31 December 2021 (CZK thousand)	CSG Aerospace	CSG Defence	CSG Automotive	CSG Rail	CSG Ammo+	CSG Business Projects	Elimination of mutual relations	Consolidated data
Total assets per segment	**9,889,239**	**12,519,458**	**1,949,833**	**2,608,821**	**1,971**	**10,305,317**	**-9,870,840**	**27,403,799**
Entities accounted for using the equity method	–	387,552	1,860,682	–	–	3,811	–	2,252,045
Capital expenses (CAPEX)	299,487	392,170	2,557	464,034	–	197,362	–	1,355,610
Total liabilities per segment	**-8,507,860**	**-8,440,234**	**-55,583**	**-2,293,099**	**–**	**-8,725,608**	**9,870,842**	**-18,151,542**

Information by country

The tables below summarise the assets of operating segments by asset location:

As of 31 December 2022 (CZK thousand)	Czech Republic	Italy	Slovakia	Serbia	Spain	Total operating segments	Consolidated data
Property, plant and equipment	4,455,917	2,726,126	1,246,286	142,881	150,284	8,721,494	8,721,494
Intangible assets	1,191,924	371,878	180,353	1,278	10,466	1,755,899	1,755,899
Investment property	63,588	–	–	–	–	63,588	63,588
Total	**5,711,429**	**3,098,004**	**1,426,639**	**144,159**	**160,750**	**10,540,981**	**10,540,981**

As of 31 December 2021 (CZK thousand)	Czech Republic	Italy	Slovakia	Serbia	Spain	Total operating segments	Consolidated data
Property, plant and equipment	3,835,599	–	1,402,153	104,886	183,244	5,525,882	5,525,882
Intangible assets	1,127,226	–	157,190	–	6,985	1,291,401	1,291,401
Investment property	67,509	–	–	–	–	67,509	67,509
Total	**5,030,334**	**–**	**1,559,343**	**104,886**	**190,229**	**6,884,792**	**6,884,792**

Information on income from external customers, their breakdown by product group and geographical breakdown is included in Note 6 – Sales.

Major customers

The Group's analysis of the customer base identified three major customers in 2022. Their total income amounted to CZK 7,012,037 thousand, accounting for 28.12% of the Group's aggregate turnover. This income was wholly generated in the CSG DEFENCE segment.

- In 2022, five major customers accounted for 44.09% of the Group's aggregate sales.
- In 2021, five major customers accounted for 30.26% of the Group's aggregate sales.

34. Related Parties

Definition of Related Parties

The Group's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

A) Summary of balances with related parties as of 31 December 2022 and 31 December 2021:

CZK thousand	Receivables and other financial assets 2022	Payables and other financial liabilities 2022	Receivables and other financial assets 2021	Payables and other financial liabilities 2021
Shareholders	2,298,084	646,018	1,433,564	21
Related parties and related individuals	1,049,789	43,921	794,187	161,370
Key management of the Group	–	150	–	–
Non-controlling equity interests	–	–	–	27,427
Joint ventures	2,161,829	2,160,626	103,171	480,494
Associates	368	2,083	115	1,911
Total	**5,510,070**	**2,852,798**	**2,331,037**	**671,223**

B) Summary of transactions with related parties for the years ended 31 December 2022 and 31 December 2021:

CZK thousand	Income 2022	Expense 2022	Income 2021	Expense 2021
Shareholders	128,766	41,270	35,456	21
Related parties and individuals	40,360	11,120	22,197	22,632
Key management of the Group	–	–	240	–
Non-controlling equity interests	–	–	28	1,971
Joint ventures	877,904	4,936,578	154,915	523,085
Associates	13	-14	5	80
Total	**1,047,043**	**4,988,954**	**212,841**	**547,789**

Transactions with shareholders and the Group's key management consist of relations arising from received and provided loans. Transactions with related parties and related individuals as well as with associates and joint ventures principally include business relations and relations arising from received and provided loans.

Remuneration of the Group's management is disclosed in the Annual Report, Chapter 5, Administrative, Management and Supervisory Bodies of CSG.

All transactions have been realised under arm's length conditions.

35. Group Entities

Disclosed below is a list of Group entities as of 31 December 2022:

		31 December 2022			31 December 2021		
Entity	Country of registration	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
CZECHOSLOVAK GROUP a.s.	Czech Republic	100.00%	parent company	–	100.00%	parent company	–
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00%	direct	full	100.00%	direct	full
Real Info d.o.o. Kruševac	Serbia	100.00%	direct	full	100.00%	direct	full
ARMY TRADE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
AsterIVF s.r.o.	Czech Republic	54.00%	direct	full	60.00%	direct	full
ATLAN GROUP, spol. s r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full
ATRAK a.s.	Czech Republic	97.50%	direct	full	100.00%	direct	full
AVIA AVIATION a.s.	Czech Republic	50.00%	direct	not consolidated	50.00%	direct	not consolidated
AVIA Electric a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
AVIA Motors s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
AVIEN, spol. s r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	not consolidated
Baschieri & Pellagri S.p.A.	Italy	70.00%	direct	full	–	–	–
BREVETI SPV a.s.	Czech Republic	–	–	–	100.00%	direct	full
C.F.L. S.a.s.	Italy	14,00%	direct	equity	–	–	–
C3F S.p.A.	Italy	70.00%	direct	full	–	–	–
CLEVELOPMENT SPV a.s.	Czech Republic	100.00%	direct	full	–	–	–
CLS Polska SP z.o.o.	Poland	100.00%	direct	not consolidated	100.00%	direct	not consolidated
CS SOFT a.s.	Czech Republic	78.00%	direct	full	78.00%	direct	full
CSG a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG AEROSPACE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG CENTRAL ASIA a.s.	Czech Republic	30.00%	direct	equity	30.00%	direct	equity
CSG DEAL a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG DEFENCE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG EXPORT a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG HEALTH CARE a.s.	Czech Republic	60.00%	direct	full	60.00%	direct	full
CSG INDUSTRY a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG Land System SK a.s.	Slovakia	90.00%	direct	full	90.00%	direct	full
CSG Land Systems CZ a.s.	Czech Republic	90.00%	direct	full	90.00%	direct	full
CSG RAIL a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG RECOVERY s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CSG USA, Inc.	USA	90.00%	direct	not consolidated	90.00%	direct	not consolidated
CSGM a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
CZECH CAMOUFLAGE SYSTEMS a.s. (formerly ARMY SYSTEMS a.s.)	Czech Republic	72.00%	direct	full	78.00%	direct	full
CZECH DEFENCE SYS-TEMS a.s.	Czech Republic	90.00%	direct	full	90.00%	direct	full
CZECH MACHINERY GROUP B.V.	Netherlands	81.00%	direct	not consolidated	81.00%	direct	not consolidated
CZECHOSLOVAK EXPORT a.s.	Czech Republic	90.00%	direct	full	90.00%	direct	full
CZECHOSLOVAKIA TRADE a.s.	Slovakia	81.00%	direct	full	81.00%	direct	full
Česká letecká servisní a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
DAKO-CZ MACHINERY, a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
DAKO-CZ RE, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
DAKO-CZ SERVICE, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
DAKO-CZ, a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
DD ACQUISITION a.s.	Czech Republic	–	–	–	10,00%	direct	not consolidated
DEFENCE SYSTEMS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full

		31 December 2022			31 December 2021		
Entity	Country of registration	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
DEFENCE TRADE SLOVAKIA, s.r.o. (formerly ZTS METALURG špeciál s.r.o.)	Slovakia	88.00%	direct	full	81.00%	direct	full
Development Přelouč s.r.o.	Czech Republic	90.00%	direct	full	–	–	–
EG POLSKA Sp. z o.o.	Poland	29.70%	direct	not consolidated	29.70%	direct	not consolidated
EHC Service, s.r.o.	Slovakia	100.00%	direct	full	92.35%	direct	full
ELDIS Pardubice India Plt	India	100.00%	direct	not consolidated	–	–	–
ELDIS Pardubice, s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
ELTON hodinářská, a.s.	Czech Republic	73.16%	direct	full	73.16%	direct	full
Engineering SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
ENVERCOTE a.s.	Czech Republic	60.00%	direct	full	60.00%	direct	full
ESPA REAL s.r.o. v likvidaci	Czech Republic	–	–	–	91.97%	direct	not consolidated
EUROPEAN AIR SERVICES s.r.o.	Czech Republic	100.00%	direct	full	97.00%	direct	full
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	Slovakia	100.00%	direct	full	85.00%	direct	full
EXCALIBUR ARMY HELLAS LTD	Cyprus	45.00%	direct	not consolidated	45.00%	direct	not consolidated
EXCALIBUR ARMY spol. s r.o.	Czech Republic	90.00%	direct	full	90.00%	direct	full
EXCALIBUR DEFENCE SYSTEMS PRIVATE LIMITED	India	44.10%	direct	not consolidated	–	–	–
EXCALIBUR INTERNATIONAL a.s.	Czech Republic	90.00%	direct	full	90.00%	direct	full
EXCALIBUR INTERNATIONAL HU Kft.	Hungary	90.00%	direct	not consolidated	90.00%	direct	not consolidated
EXCALIBUR USA a.s.	Czech Republic	51.00%	direct	not consolidated	51.00%	direct	not consolidated
FABRICA DE MUNICIONES DE GRANADA S.L.	Spain	81.00%	direct	full	81.00%	direct	full
FALCON CSG a.s.	Czech Republic	30.00%	direct	equity	30.00%	direct	equity
FCC S.p.A.,	Italy	70.00%	direct	full	–	–	–
Fiocchi Munizioni S.p.A	Italy	70.00%	direct	full	–	–	–
Fiocchi of America Inc	USA	70.00%	direct	full	–	–	–
Fiocchi UK Limited	Great Britain	52.50%	direct	full	–	–	–
GACEL Holding s.r.o.	Czech Republic	100.00%	direct	full	–	–	–
GAMA OCEL, spol. s r.o.	Czech Republic	100.00%	direct	full	–	–	–
GERLENAIR a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
HARVO SPV s.r.o.	Czech Republic	45.00%	direct	equity	–	–	–
HELI COMPANY s.r.o.	Slovakia	100.00%	direct	full	92.35%	direct	full
HTH land a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
InoBat j.s.a.	Slovakia	4.71%	direct	not consolidated	4.71%	direct	not consolidated
INTEGRA CAPITAL a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
JOB AIR Technic a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
JWL DAKO-CZ (INDIA) LIM-ITED RN	India	33.30%	direct	not consolidated	–	–	–
JWL DAKO-CZ (INDIA) LIM-ITED RN	India	100.00%	direct	not consolidated	33.30%	direct	not consolidated
KARBOX Holding s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
KARBOX s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
KARMONIKA AERO a.s. (formerly CSG a.s.)	Czech Republic	100.00%	direct	full	100.00%	direct	full
KONVERTIAL SPV a.s.	Czech Republic	100.00%	direct	full	–	–	–
Kopřivnice Energy s.r.o.	Czech Republic	29.89%	direct	not consolidated	29.89%	direct	not consolidated
LAIRAN SPV a.s.	Czech Republic	100.00%	direct	full	–	–	–
LIAZ TRUCKS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
LOSTR a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full

		31 December 2022			31 December 2021		
Entity	Country of registration	Effective ownership percentage	Ownership interest**	Consolidation method*	Effective ownership percentage	Ownership interest**	Consolidation method*
Lyalvale Express Limited	Great Britain	70.00%	direct	full	—	—	—
MADE CS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
MATIS z.a.o.	Russia	5.98%	direct	not consolidated	5.98%	direct	not consolidated
MERIT SPV a.s.	Czech Republic	97.50%	direct	full	97.50%	direct	full
Milconn, a.s.	Czech Republic	50.00%	direct	equity	50.00%	direct	equity
MSM EXPORT, s.r.o. (formerly MSM holding, s.r.o.)	Slovakia	81.00%	direct	full	81.00%	direct	full
MSM GROUP s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full
MSM LAND SYSTEMS s.r.o.	Slovakia	90.00%	direct	full	90.00%	direct	full
MSM Martin, s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full
MSM Services, s.r.o. (formerly Industry Defence, s.r.o.)	Slovakia	81.00%	direct	full	81.00%	direct	not consolidated
NIKA Development a.s.	Czech Republic	91.97%	direct	full	91.97%	direct	full
PPS VEHICLES, s.r.o.	Slovakia	72.90%	direct	full	72.90%	direct	full
Prague Fertility Centre s.r.o.	Czech Republic	54.00%	direct	full	60.00%	direct	full
PROGRESS SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
RADAS, s.r.o.	Slovakia	41.31%	direct	not consolidated	41.31%	direct	not consolidated
RADAS, s.r.o.	Czech Republic	78.00%	direct	not consolidated	78.00%	direct	not consolidated
RADIATIK a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
REAL TRADE PRAHA a.s.	Czech Republic	81.90%	direct	full	81.90%	direct	full
REALID SPV a.s.	Czech Republic	100.00%	direct	full	—	—	—
ReDat Recording, a.s.	Czech Republic	95.00%	direct	not consolidated	95.00%	direct	not consolidated
RELAZA SPV a.s.	Czech Republic	100.00%	direct	full	—	—	—
RETIA, a.s.	Czech Republic	95.00%	direct	full	95.00%	direct	full
Rheinmetall Tatra Land Systems s.r.o.	Czech Republic	44.10%	direct	not consolidated	44.10%	direct	not consolidated
RUMPETA a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
SBS ZVS, s.r.o.	Slovakia	40.50%	indirect	full	40.50%	indirect	full
SHER Technologies a.s.	Czech Republic	51.00%	direct	full	51.00%	direct	full
Slovak Aviation Factory, s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full
Slovak industry s.r.o.	Slovakia	81.00%	direct	full	81.00%	direct	full
Slovak Training Academy, s.r.o.	Slovakia	100.00%	direct	full	92.35%	direct	full
Sondany s.r.o.	Czech Republic	54.00%	direct	full	60.00%	direct	full
Space T a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
STA TECHNOLOGY, s.r.o.	Slovakia	100.00%	direct	full	61.87%	direct	full
TABLON SPV a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
Target Products 1978 Ltd	Netherlands	20.00%	direct	equity	—	—	—
TATRA a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TATRA AVIATION a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TATRA DEFENCE INDUSTRIAL s.r.o.	Czech Republic	—	—	—	2.99%	direct	not consolidated
TATRA DEFENCE PROJECTS s.r.o.	Czech Republic	81.00%	direct	full	—	—	—
TATRA DEFENCE SLOVAKIA s.r.o.	Slovakia	75.19%	direct	full	75.19%	direct	full
TATRA DEFENCE SYSTEMS s.r.o.	Czech Republic	81.00%	direct	full	81.00%	direct	full
TATRA DEFENCE VEHICLE a.s.	Czech Republic	81.00%	direct	full	81.00%	direct	full
TATRA ENERGY s.r.o.	Czech Republic	65.00%	direct	not consolidated	—	—	—
TATRA EURASIA t.o.o.	Kazakhstan	21.52%	direct	not consolidated	21.52%	direct	not consolidated
TATRA EXPORT s.r.o.	Czech Republic	59.78%	direct	equity	59.78%	direct	equity
TATRA MANUFACTURE a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TATRA METALURGIE a.s.	Czech Republic	59.78%	direct	equity	59.78%	direct	equity
TATRA Slovensko spol. s .r.o.	Slovakia	59.78%	direct	not consolidated	59.78%	direct	not consolidated
TATRA TRUCK GULF COMMERCIAL BROKERS L.L.C.	UAE	29.29%	direct	not consolidated	29.29%	direct	not consolidated
TATRA TRUCK INDIA PRIVATE LIMITED	India	59.78%	direct	not consolidated	59.78%	direct	not consolidated
TATRA TRUCKS a.s.	Czech Republic	59.78%	direct	equity	59.78%	direct	equity
TATRA VOSTOK, OOO	Russia	59.78%	direct	not consolidated	59.78%	direct	not consolidated
TATRABRAS LTDA	Brasil	59.78%	direct	not consolidated	59.78%	direct	not consolidated
TECHNOLOGY CS a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TECHPARK Hradubická a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TRADITION CS a.s.	Czech Republic	97.50%	direct	full	97.50%	direct	full
TRANSELCO CZ s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TRIBLAN a.s.	Czech Republic	100.00%	direct	full	100.00%	direct	full
TRUCK SERVICE GROUP s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
UpVision Defence s.r.o.	Czech Republic	97.50%	direct	full	—	—	—
UpVision s.r.o.	Czech Republic	97.50%	direct	full	—	—	—
Virte, a.s.	Slovakia	81.00%	direct	full	81.00%	direct	full
VMT Trade s.r.o.	Slovakia	40.50%	direct	not consolidated	81.00%	direct	not consolidated
VOP Nováky, a.s. (formerly MSM Nováky, a.s.)	Slovakia	81.00%	direct	full	81.00%	direct	full
VORNEA SPV s.r.o.	Czech Republic	100.00%	direct	full	100.00%	direct	full
VÝVOJ Martin, a.s.	Slovakia	61.56%	direct	equity	61.56%	direct	equity
ZVS Defence Industrial s.r.o.	Slovakia	4.05%	direct	not consolidated	4.05%	direct	not consolidated
ZVS holding, a.s.	Slovakia	40.50%	indirect	full	40.50%	indirect	full
ZVS IMPEX, akciová spoločnosť	Slovakia	81.00%	direct	full	81.00%	direct	full
ZVS Technology, s.r.o.	Slovakia	27.54%	direct	not consolidated	27.54%	direct	not consolidated
ZVS-Armory, s.r.o.	Slovakia	—	—	—	81.00%	direct	full

* Entities that are not consolidated – these entities are immaterial in the Group's consolidated financial statements; both on the individual and aggregate bases.
** Indirect ownership percentage means an ownership percentage controlled by way of the management rather than by shares. Other types of ownership percentages are referred to as direct.

The list in the table above is structured based on the ownership of entities at different levels in the Group.

36. Legal Disputes

Dispute with SARN SD3LLC

The Company continues as a defendant in litigation pending in the Superior Court of the State of Delaware, New Castle County, USA, captioned "SARN SD3 LLC v. CZECHOSLOVAK GROUP a.s, C.A. No. NI 7C-12-185EMD (CCLD)". The plaintiff is SARN SD3 LLC (SARN), a limited liability company located in the State of Delaware.

The lawsuit was filed on 13 December 2017. The first claim alleges that the Company breached an option agreement between SARN and the Company to acquire 25% of the shares in RETIA, a.s. (RETIA). The second claim alleges that the Company, as a then shareholder of Retia, should have breached the duty of care allegedly owed under the option agreement. The Company responded with a motion to dismiss for failure to specify a claim and lack of jurisdiction. In September 2018, the court denied the Company's motion to dismiss both SARN claims and ordered the litigation to proceed.

During 2018–2020, the evidentiary phase of the litigation (disclosure) was ongoing, with significant delays caused by the COVID-19 pandemic. In the meantime, both parties made a series of submissions in which SARN, on the one hand, supplemented and clarified its claims, and the Company, on the other, refuted, contradicted or presented arguments showing that SARN's claims were ungrounded.

As regards the first claim, SARN initially claimed damages of CZK 56,875,000. In March 2020, SARN applied for an interlocutory judgment ordering the Company to pay that amount. In December 2020, the court granted that motion in principle, but allowed the parties to further exchange submissions on the amount of the damages claimed. In late 2021, the court conceded that SARN was entitled to damages in the amount claimed on the basis of the first claim but did not order the Company to pay that amount, primarily because of the pendency of proceedings on the second claim (see below). In October 2022, SARN filed a motion for reconsideration of the aforementioned interlocutory judgment, claiming that it had discovered "new evidence" indicating that the damages awarded on the first claim should have been higher, namely in the amount of CZK 129,625,000. A hearing was held on this claim in January 2023, and the Company considers this SARN claim to be ungrounded and strongly opposes it. As of the date of this report, the court has not ruled on this matter; however, the Company is determined to appeal any adverse ruling and to continue to vigorously defend its rights if unsuccessful. The Company continues to be represented in this part of the litigation by the Washington, D.C. office of the global law firm Dentons US LLP.

With respect to the second claim, SARN refined its claim in 2021 based on the evidentiary phase and sought damages in excess of USD 108 million. At the same time, however, it did not provide any convincing evidence or testimony to justify the amount claimed. The Company moved to dismiss this claim in its entirety; however, the Court set a civil jury trial for September 2022 regarding this part of the case. The parties subsequently amicably concluded this portion of the litigation after intense negotiations, the jury trial did not occur, and SARN waived any future claims arising from the second claim. This part of the litigation has therefore been effectively concluded.

MSM Martin s.r.o. (Slovakia)

Criminal proceedings are still held in Slovakia against a CSG Group company, MSM Martin, s.r.o. Slovakia, under ref. no. PPZ-99/NKA-BA3-2020 (originally PPZ-233/NKA-BA3-2020) for acts concerning interference in a tender on recovery tanks and mobile bridging organised by the Administration of State Material Reserves in late 2019 and early 2020. On 6 October 2020, the Slovak special prosecutor decided on MSM Martin's complaint against the decision to bring an accusation by allowing this complaint and cancelled the decision to bring an accusation against MSM Martin ("SP's Decision"). On 31 March 2021, the General Prosecutor cancelled the SP's decision, stating that the law had been broken in favour of the defendant and ordered the special prosecutor to make a new decision on MSM Martin's complaint against the decision to bring an accusation. From MSM Martin's perspective, the prosecution thus returned to the stage before the issuance of the SP's Decision, and it was repeatedly decided on the complaints against the decision to bring an accusation. On 14 June 2021, the Deputy Special Prosecutor decided to dismiss the complaints of all the defendants, including the company, which means that the company became the defendant again. On 14 September 2021, the company filed a motion to set aside this dismissal of its complaint through an extraordinary appeal, which was denied. In response, the company filed a constitutional complaint, which was, however, denied without a substantive review due to the alleged lack of jurisdiction of the Constitutional Court at this stage of the criminal proceedings. The company cooperates actively with the local law enforcement authorities and tries to present evidence to prove that the prosecution is absolutely unfounded. The company is represented by a subsidiary of the law firm Dentons in Bratislava.

37. Subsequent Events

Between 31 December 2022 and the date of preparation of the Consolidated Annual Report, the following changes to the CSG Group structure occurred:

A) Changes in the CSG Group

As of 1 January 2023, David Chour was appointed Executive Director of the holding.

Aleš Kvídera ended his membership in the Supervisory Board of CZECHOSLOVAK GROUP a.s. as of 28 February 2023. Michaela Katolická became new member of the Supervisory Board as of 1 March 2023.

B) New Acquisitions

In March 2023, the holding secured a 20% equity interest in Gaussin, a French enterprise engaged in the development and manufacture of emission-free and autonomous transport systems requiring no driver intervention. Shares of Gaussin are publicly traded on the Euronext exchange.

Separate Financial Statements CZECHOSLOVAK GROUP a.s.

Separate Financial Statements prepared under International Financial Reporting Standards (IFRS) as Adopted by the EU for the Year Ended 31 December 2022

Name of the Company:	**CZECHOSLOVAK GROUP a.s.**
Registered Office:	**Pernerova 691/42, Karlín, 186 00 Prague 8**
Legal Status:	**Joint Stock Company**
Corporate ID:	**034 72 302**

Components of the Financial Statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

These financial statements were prepared on 25 April 2023.

David Chour
Vice-Chairperson of the Board of Directors

Petr Formánek
Member of the Board of Directors

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Statement of Comprehensive Income

For the years ended 31 December 2022 and 2021

CZK thousand	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Sales	5	1,254	—
Material consumption and costs of goods sold	5	-960	—
Service costs	7	-258,626	-187,467
Other operating income	8	32	17,248
Other operating expense	8	-192,148	-64,009
Loss from operating activities		**-450,448**	**-234,228**
Financial income	9	1,151,341	599,419
Financial expense	9	-668,149	-339,999
Profit (+) / loss (-) from the sale of investments	10	100	65,236
Profit from financing activities		**483,292**	**324,656**
Profit (+) / loss (-) before taxation		**32,844**	**90,428**
Income tax	11	-26,308	-58,269
Net profit (+) / loss (-) from continuing operations		**6,536**	**32,159**
Other comprehensive income			
Interest-rate advantage on a non-interest bearing loan	19	-536	-1,141
Remeasurement of derivatives	14	108,245	—
Other comprehensive income		107,709	-1,141
Total other comprehensive income		**114,245**	**31,018**

The Notes to the Financial Statements form an inseparable part of these financial statements.

Statement of Financial Position

For the years ended 31 December 2022 and 2021

CZK thousand	Note	31 December 2022	31 December 2021
Assets			
Investments in subsidiaries	12	8,667,951	4,302,848
Investments in associates	12	1,600	1,600
Loans and other non-current financial assets	13	4,109,660	2,216,647
Trade and other long-term receivables	15	20,082	81968
Deferred tax asset	24	2,141	387
Total non-current assets		**12,801,434**	**6,603,450**
Inventory	16	—	182
Trade and other short-term receivables	15	529,031	1,036,080
Loans and other current financial assets	13	2,127,681	4,024,658
Tax receivables arising from the current income tax paya-ble	17	—	—
Cash and cash equivalents	18	781,013	516,560
Total current assets		**3,437,725**	**5,577,480**
Total assets		**16,239,159**	**12,180,930**
Equity			
Share capital	19	2,000,000	2,000,000
Other reserves	19	981,654	982,190
Gains or losses from the remeasurement of derivatives	19	108,245	—
Retained earnings including profit (loss) for the current period		1,719,376	1,712,840
Total equity		**4,809,275**	**4,695,030**
Liabilities			
Long-term loans and borrowings	20	3,116,517	380,530
Long-term financial instruments and financial payables	14	41,984	8,803
Long-term provisions	23	50,000	28,438
Bonds and bills of exchange	21	4,561,647	4,568,172
Total non-current liabilities		**7,770,148**	**4,985,943**
Short-term loans and borrowings	20	3,411,938	1,942,416
Short-term financial instruments and financial payables	14	15,896	36,040
Trade and other short-term payables	22	172,799	463,259
Tax payables arising from the current income tax payable	17	33,602	49,529
Bonds – short-term portion	21	25,501	8,713
Total current liabilities		**3,659,736**	**2,499,957**
Total liabilities		**11,429,884**	**7,485,900**
Total equity and liabilities		**16,239,159**	**12,180,930**

The Notes to the Financial Statements form an inseparable part of these financial statements.

Statement of Changes in Equity

For the years ended 31 December 2022 and 2021

CZK thousand	Note	Share capital	Other reserves	Gains or losses from the remeasurement of derivatives	Retained earnings	Total
Balance at 1 January 2021	**19**	**2,000**	**2,981,331**	**—**	**1,680,681**	**4,664,012**
Total comprehensive income for the year:						
Profit for the year		—	—	—	32,159	32,159
Remeasurement – other comprehensive income		—	-1,141	—	—	-1,141
Total comprehensive income for the year		**—**	**-1,141**	**—**	**32,159**	**31,018**
Transactions with shareholders and MI	19	1,998,000	-1,998,000	—	—	—
Total transactions with shareholders		**1,998,000**	**-1,999,141**	**—**	**32,159**	**31,018**
Balance at 31 December 2021	**19**	**2,000,000**	**982,190**	**—**	**1,712,840**	**4,695,030**
Total comprehensive income for the year:						
Profit for the year		—	—	—	6,536	6,536
Remeasurement – other comprehensive income		—	-536	—	—	-536
Remeasurement of derivatives	19	—	—	108,245	—	108,245
Total comprehensive income for the year		**—**	**-536**	**108,245**	**6,536**	**114,245**
Transactions with shareholders and MI	19	—	—	—	—	—
Total transactions with shareholders		**—**	**-536**	**108,245**	**6,536**	**114,245**
Balance at 31 December 2022	**19**	**2,000,000**	**981,654**	**108,245**	**1,719,376**	**4,809,275**

The Notes to the Financial Statements form an inseparable part of these financial statements.

Statement of Cash Flows

For the years ended 31 December 2022 and 2021

CZK thousand	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flows from operating activities			
Net profit (+) / loss (-) for the year		**6,536**	**32,159**
Adjustments for:			
Profit (-) / loss (+) from the sale of investments	10	-100	-65,236
Net interest income (-) / expense (+)	9	246,668	95,055
Recognition (+) / release (-) of allowances and provisions	8	41,920	35,721
Recognition (+) / release (-) of allowances for investments in entities	12	—	25,000
Dividend income	9	-244,712	-84,765
Income tax	11	26,308	58,269
Unrealised exchange rate gains (-) / losses (+)		-29,522	56,489
Other		2,000	—
Release of costs of bond issues		11,511	12,817
Increase (-) / decrease (+) of receivables and payables from derivative financial instruments		-280,021	-275,112
Operating profit before movements in working capital		**-219,412**	**-109,603**
Increase (-) / decrease (+) in trade receivables and other assets		529,202	167,378
Increase (+) / decrease (-) in trade and other payables		-16,836	-223,961
Increase (+) / decrease (-) in inventory (including income from sale)	16	182	—
Cash generated by operations		**293,136**	**-166,186**
Interest paid		-467,289	-222,431
Income taxes paid		-50,033	-15,887
Net cash from operating activities		**-224,186**	**-404,504**
Cash flows from investing activities			
Acquisition of investments in subsidiaries	12	-4,636,357	-86,992
Acquisition of investments in associates	12	-116,310	—
Income from the sale of investments		45,226	705,004
Dividends received		329,477	—
Provided loans		-5,884,523	-5,386,181
Repayment of provided loans		6,367,129	3,343,411
Interest received		184,171	119,963
Net cash (used in) / from investing activities		**-3,711,187**	**-1,304,795**
Cash flows from financing activities			
Proceeds from borrowings		6,940,696	2,596,477
Repayments of borrowings		-2,743,585	-1,917,978
Proceeds from bond placements	21	223,357	2,943,155
Costs related to bond placements	21	-103	-28,887
Repayment of bonds	21	-220,539	-1,398,000
Net cash (used in) / from financing activities		**4,199,826**	**2,194,767**
Net increase in cash and cash equivalents		264,453	485,468
Cash and cash equivalents at beginning of year	**18**	**516,560**	**31,092**
Cash and cash equivalents at end of year	**18**	**781,013**	**516,560**

The Notes to the Financial Statements form an inseparable part of these financial statements.

Notes to the Financial Statements

1. Description of the Company

CZECHOSLOVAK GROUP a.s. (the "Company" or "CSG") is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at Sokolovská 675/9, Karlín, 186 00 Prague 8. The Company changed its name from EXCALIBUR GROUP a.s. to CZECHOSLOVAK GROUP a.s, and the change was adopted and recorded in the Czech Register of Companies on 14 January 2016.

As of 1 January 2015, CZECHOSLOVAK GROUP a.s. merged with EXCALIBUR ARMY CZ a.s. and EXCALIBUR INDUSTRY a.s., the successor company being CZECHOSLOVAK GROUP a.s.

As of 1 January 2016, CZECHOSLOVAK GROUP a.s. merged with LOGEKO a.s., the successor company being CZECHOSLOVAK GROUP a.s.

As a result of a cross-border merger by amalgamation, the net assets of CZECHOSLOVAK GROUP B.V., as the dissolving company, were transferred to CZECHOSLOVAK GROUP a.s., as the successor company. The effective date of the cross-border merger by amalgamation is 1 January 2020. This fact was recorded in the Register of Companies on 31 August 2020.

CSG FIN a.s. was the sole shareholder as of 31 December 2022 which, as the sole shareholder, exercised the powers of the Company's supreme body from 28 June 2022. In the period from 1 January 2022 to 27 June 2022, Michal Strnad exercised the powers of the Company's supreme body.

The financial statements of the Company were prepared for the years ended 31 December 2022 and 31 December 2021. These financial statements are unconsolidated separate financial statements.

The Company's principal activities include production, trade and services not listed in Appendices 1–3 to the Trade Licencing Act, in the scope of the following areas:

- Mediation of trade and services;
- Wholesale and retail;
- Provision of software, information technology consulting, data processing, hosting and related activities and web portals;
- Purchase, sale, management and maintenance of real estate;
- Rental and lending of movable property;
- Advisory and consulting services, preparation of expert studies and reports;
- Advertising, marketing, media representation;
- Administrative management services and services of an organisational and economic nature;
- Provision of technical services.

As of 31 December 2022, the Company's sole shareholder is:

	Equity investment		Voting rights
	CZK thousand	%	%
CSG FIN a.s. (Corporate ID: 141 41 442)	2,000,000	100	100
Total	**2,000,000**	**100**	**100**

As of 31 December 2022, the ultimate owner was Michal Strnad.

Composition of the Board of Directors as of 31 December 2022:

- **Michal Strnad** (Chairperson of the Board of Directors)
- **David Chour** (Vice-Chairperson of the Board of Directors)
- **Petr Formánek** (Member of the Board of Directors)
- **David Štěpán** (Member of the Board of Directors)
- **Ladislav Štorek** (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2022:

- **Aleš Kvídera** (Member of the Supervisory Board)
- **Aleš Klepek** (Member of the Supervisory Board)
- **Rudolf Bureš** (Member of the Supervisory Board)

2. Basis of Preparation of the Financial Statements

A) Statement of Compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards, containing International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the IASB's International Financial Reporting Interpretations Committee (IFRIC), and previously by the Standing Interpretations Committee (SIC), as adopted by the European Union, and with Czech legislative requirements.

The financial statements give a true and fair view of the Company's financial position, financial results and cash flows of the Company as of 31 December 2022 and for the period from 1 January 2022 ended 31 December 2022.

The Board of Directors approved the financial statements on 25 April 2023.

B) Measurement Method

These financial statements were prepared under the going concern assumption and the historical cost (amortised cost) convention, with the exception of the following material statement of financial position items, which are carried at fair value:

- Derivative financial instruments.

C) Functional and Presentation Currencies

The financial statements are presented in Czech crowns ("CZK"). All financial information presented in Czech crowns is rounded to the nearest thousand, unless stated otherwise. The presentation currency is the Czech crown.

D) Use of Estimates and Judgement

In preparing these financial statements in compliance with International Financial Reporting Standards, management is required to make certain critical accounting estimates that affect the reported balances of assets, liabilities, income and expense. In applying the Company's accounting policies, management is also required to make assumptions based on its own judgement. Due to their nature, the resulting accounting estimate are rarely equal to the relevant actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information on the estimates and critical judgement used in applying accounting policies that have the most significant effect on the balances reported in the financial statements are disclosed in the following Notes:

- Note 4 A), B), C) – Measurement of Financial Instruments
- Note 31 – Legal Disputes

E) Adoption of new and revised International Financial Reporting Standards (IFRSs)

I. Newly adopted standards and amendments to existing standards effective for the year ended 31 December 2022 applied in preparing the Company's financial statements

During the current period, the Company adopted all amendments to International Financial Reporting Standards (IFRS) with effect from 1 January 2022 that are compulsory, approved for use in the EU. The impact of these amendments to existing standards on the financial statements of the Company is specified below.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for liabilities within the scope of IAS 37, an acquirer should apply IAS 37 to determine whether a present obligation exists that is a consequence of past events. The amendments also add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Amendments to various standards due to "Improvements to IFRSs (cycle 2018–2020)"

The amendments result from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies between standards and clarifying wording.

The adoption of all of the above amendments to existing standards did not have a material impact on the disclosures or amounts recognised in these separate financial statements.

II. Standards and amendments to existing standards that are not yet effective and that are relevant to the Company's financial statements

Several new standards and amendments to existing standards did not become effective as of 31 December 2022 and were not applied in the preparation of these separate financial statements. The Company plans to adopt these provisions once they become effective.

A) New standards and amendments to existing standards already endorsed for use in the EU

As of the date of approval of these financial statements, the following new standards and amendments to existing standards have been issued by the IASB and approved for application in the EU but have not yet become effective:

IFRS 17 Insurance Contracts and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023)

The new standard sets out principles for the recognition, measurement, reporting and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts.

The Company does not expect this new standard to have a material impact on the presentation of the financial statements upon initial application as the Company does not operate in the insurance sector.

Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 Comparative Information (effective for annual periods beginning on or after 1 January 2023)

This is a narrowly focused modification of the transitional provisions of IFRS 17 for entities that apply IFRS 17 and IFRS 9 together for the first time.

The Company does not expect these adjustments to have a material impact on the presentation of the financial statements on initial application as the Company does not operate in the insurance sector.

Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)

The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to assist in deciding which accounting policies to disclose in the financial statements.

The Company does not expect these adjustments to have a material impact on the financial statements on initial application.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definitions of Accounting Estimates (effective for accounting periods beginning on or after 1 January 2023)

The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.

The Company does not expect these adjustments to have a material impact on the individual financial statements upon initial application.

Amendments to IAS 12 Income Taxes – Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

Under the amendments to IAS 12, an entity shall not apply the initial recognition exemption for transactions that give rise to the same taxable and deductible temporary differences.

The Company expects that these adjustments will not have a material impact on the financial statements on initial application.

B) Amendments to the existing standards not yet adopted for use in the EU

At present, the standards adopted by the European Union do not significantly differ from the standards approved by the International Accounting Standards Board (IASB). Exceptions include the following amendments to existing standards, which have not been approved for use in the EU as of the date of approval of the financial statements (the effective dates indicated below apply to IFRS as issued by the IASB).

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed indefinitely)

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

Amendments to IFRS 16 Leases – Lease liabilities under sale and leaseback transactions (effective for accounting periods beginning on or after 1 January 2024)

Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The Company does not expect these adjustments to have a material impact on the financial statements upon initial application.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current and Non-Current – Deferral of the Effective Date (effective for reporting periods beginning on or after 1 January 2024).

The amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period.

The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with covenants (effective for accounting periods beginning on or after 1 January 2024)

The amendments clarify how the conditions that an entity is required to comply with within twelve months after the balance sheet date affect the classification of liabilities.

The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

3. Significant Accounting Policies

Significant accounting policies are analogous to those of the consolidated financial statements presented in Note 3 to the Consolidated Financial Statements for the year ended 31 December 2022, apart from the areas described below.

A) Financial Instruments – Derivatives

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to a contractual provision relating to the instrument.

The Company enters into derivative financial instruments that manage exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts, options and interest rate swaps. Further details on derivative financial instruments are set out in Notes 14, 20 and 29.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) increase or decrease fair value, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

A derivative with a positive fair value is recognised as a financial asset, while a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the right and the intention to offset. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is greater than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

From 2022, the Company uses hedge accounting.

Hedging derivatives

The Company designates certain derivatives as hedging instruments in relation to currency risk and interest rate risk and classifies them as cash flow hedges. Hedges of foreign currency risk on binding commitments are accounted for as cash flow hedges.

The Company considers derivatives to be hedging derivatives if the hedge accounting model is applied on them and if the following conditions are met:

- at the inception of the hedge, a decision was made about the items to be hedged, the instruments to be used for hedging, the risks to be hedged and the method of calculating and evidencing the effectiveness of the hedge;
- the hedge is considered highly effective (i.e. between 80% and 125%); and
- the effectiveness of the hedge is reliably measurable and is assessed on an ongoing basis.

Derivatives that do not meet the above conditions for hedging derivatives are classified by the Company as derivatives held for trading (speculative).

When a hedging relationship is established, the relationship between the hedging instrument and the hedged item, risk management objectives and strategies in executing the various hedging transactions are documented. On an ongoing basis, the hedging instrument is assessed for its effectiveness in offsetting changes in the fair value or cash flows of the hedged item that result from changes in the hedged risk.

If the derivative is used to hedge the risk of changes in cash flows arising from assets, liabilities or legally enforceable contractual relationships or forecast transactions, the change in the fair value of the hedging derivative corresponding to the effective portion of the hedge is recognised in other comprehensive income as a Revaluation Reserve. The ineffective portion of the change in the fair value of the derivatives is included in profit or loss.

Financial derivatives are carried at cost at the time of acquisition and subsequently remeasured to fair value at the date of the consolidated financial statements.

The Company uses financial derivatives only to hedge future cash flows. Changes in the fair value of financial derivatives are recognised in other comprehensive income.

The cumulative amount in equity remains in other comprehensive income and is reclassified to profit or loss in the same period(s) during which the hedged item affects profit or loss.

The Company shall discontinue hedge accounting only when the hedging relationship (or part of it) no longer meets the qualifying criteria. For example, the hedging instrument expires or the hedging instrument is sold, terminated or the contract is exercised. Termination of hedge accounting is accounted for prospectively. Any gains or losses recognised in other comprehensive income and accumulated in the cash flow hedge fund at that point in time remain in equity and are reclassified to profit or loss when the expected transaction is realised. If the expected transaction is no longer expected to occur, the gains or losses accumulated in the cash flow hedge fund are immediately reclassified to profit or loss.

Derivatives held for trading

Financial derivatives held for trading are carried at fair value and gains (losses) on changes in their fair values are included in profit or loss.

4. Fair Value Measurement

A number of accounting procedures and disclosures of the Company require determining a fair value of financial and non-financial assets and liabilities.

Fair values include various levels of fair value hierarchy based on the input used in valuation as follows:

- Fair value measurement on Level 1: derived from quoted prices (unadjusted) on active markets of identical assets or liabilities
- Fair value measurement on Level 2: derived from inputs not including quoted prices of Level 1 that may be identified for an asset or liability on the market either directly (ie prices) or indirectly (i.e. derived from prices).
- Fair value measurement on Level 3: derived from measurement procedures including inputs for assets or liabilities not based on observable market data (non-observable inputs).

If the inputs used to measure an asset or liability at fair value may be classified within various levels of fair value hierarchy, the fair value measurement as a whole is classified within the same level of fair value hierarchy as the lowest level input that is material with respect to the entire measurement.

The Company reports transfers between the levels of fair value hierarchy always at the end of the reporting period in which the change occurred.

A) Non-Derivative Financial Assets

The fair value is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the management estimates the fair value of the given instrument using price models or techniques based on discounted cash flows.

If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the management, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.

The fair value of trade receivables and other receivables, except for contract assets but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date.

The fair value of trade receivables, other receivables and investments reported at amortised value is only determined for the disclosure purposes.

B) Non-Derivative Financial Liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a market interest rate as of the balance sheet date. For finance leases, the market interest rate is determined using similar lease contracts.

C) Derivatives

Financial derivatives are measured at fair value classified under level 2, the measurement is based on market valuation.

5. Sales and Cost of Goods Sold

The Company recognised sales related to the sale of software licenses in 2022 in the amount of CZK 1,253 thousand.

The cost of goods sold related to the sale of licences amounted to CZK 960 thousand.

In 2021, the Company did not recognise any sales or cost of goods sold.

6. Staff Costs

In 2022 and in 2021, the Company did not recognise any staff costs.

7. Services

CZK thousand	Year ended 31 December 2022	Year ended 31 December 2021
Costs of subcontractors and other external costs	255,071	170,971
Rental	1,549	–
Advisory fees	1,014	12,183
Other services	992	4,313
Total services	**258,626**	**187,467**

In 2022, costs for subcontractors and other external costs consist predominantly of costs for services from CSGM a.s. in the amount of CZK 217,846 thousand.

In 2021, costs for subcontractors and other external costs consist predominantly of costs for services from CSGM a.s. in the amount of CZK 135,413 thousand.

8. Other Operating Income and Expenses

Other Operating Income

In 2022, other operating income amounted to CZK 32 thousand.

In 2021, other operating income in the amount of CZK 17,248 thousand consists predominantly of income from the written-off receivable from Legios Loco a.s. in the amount of CZK 15,527 thousand and other income in the amount of CZK 1,721 thousand.

Other Operating Expenses

CZK thousand	Year ended 31 December 2022	Year ended 31 December 2021
Taxes and fees	5	5
Insurance payments	1,642	1,003
Recognition (+) / release (-) of allowances	-5,558	7,283
Recognition (+) / release (-) of provisions	21,563	28,438
Write-off of a receivable	63,548	19,089
Other	110,948	8,191
Total other operating expenses	**192,148**	**64,009**

The Other item predominantly includes the costs related to the acquisition of the FCC S.p.A. group in 2022, amounting to CZK 71,857 thousand. In addition, there is an expense related to the out-of-court settlement agreement in the litigation with SARN SD 3 LLC in the amount of CZK 16,845 thousand.

The recognition of allowances is described in greater detail in Note 29 A) – Risk Management and Disclosure Methods – Credit Risk.

The recognition of provisions is described in greater detail in Note 23 – Provisions.

9. Financial Income and Expenses

CZK thousand	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	319,183	140,319
Profit from derivative transactions	507,508	308,748
Dividend income	244,712	84,765
Other financial income	79,938	65,587
Financial income	**1,151,341**	**599,419**
Interest expense – related parties	182,327	34,883
Interest expense – bonds	326,993	162,782
Interest expense – banks	53,842	36,587
Interest expense – other	2,689	1,122
Exchange rate losses	36,811	77,741
Loss from derivative transactions	–	–
Other financial expenses	65,487	26,884
Financial expenses	**668,149**	**339,999**
Net financial income / expense	**483,192**	**259,420**

Other financial expenses in 2022 predominantly include fees for arranging financing related to the acquisition of the FCC S.p.A group and bond issuance costs. It also includes the creation of an allowance for loans granted in the amount of CZK 25,915 thousand.

In 2021, other financial expenses include the recognition of allowances in financial activities of CZK 25,000 thousand, described in more detail in Note 11 – Investments in Entities.

In 2022, the Company generated income from dividends of CZK 244,712 thousand originating from profit shares received from the subsidiariries AVIA Motors s.r.o. (CZK 118,817 thousand) and CSG Industry a.s. (CZK 125,894 thousand)

In 2021, the Company generated income from dividends of CZK 84,765 thousand originating from profit shares received from the subsidiary EXCALIBUR INTERNATIONAL a.s. (CZK 84,765 thousand).

10. Profit / Loss from the Sale of Investments

CZK thousand	Year ended 31 December 2022	Year ended 31 December 2021
Sales of investments	2,301	299,881
Investments sold	-2,201	-234,645
Profit / loss from the sale of investments	**100**	**65,236**

11. Income Tax

Income Tax Reported in Profit or Loss

CZK thousand	Year ended 31 December 2022	Year ended 31 December 2021
Income tax payable:		
For the year	-27,937	-56,425
Total income tax payable	**-27,937**	**-56,425**
Deferred tax:		
Deferred income tax	1,629	-1,844
Total deferred tax	**1,629**	**-1,844**
Total income tax expense (-) / income (+)	**-26,308**	**-58,269**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered or the liability will be settled. Under Czech legislation, the corporate income tax rate is 19% for the fiscal year ended 31 December 2022 (2021: 19%).

Reconciliation of the Effective Tax Rate

CZK thousand	%	Year ended 31 December 2022	%	Year ended 31 December 2021
Profit / (loss) before tax on continued opera-tions		32,844		90,428
Tax calculated using the corporate income tax rate	19%	-6,240	19%	-17,181
Tax effect:				
Non-deductible expenses		-86,904		-109,237
Tax-exempt income		46,932		71,840
Losses for which no deferred tax asset was recognised in the current period				
Changes in estimates relating to prior periods		19,904		-3,691
Income tax reported in the statement of comprehensive income		**-26,308**		**-58,269**

Sales of investments, including dividend income, are reduced in the reconciliation of the effective tax rate by the costs of investments sold and the balance is reflected in the 'Tax-exempt income' line.

12. Investments in Entities

I. Investments in Subsidiaries

Name of Company	Country of Incorporation	31 December 2022	31 December 2021
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00%	100.00%
AVIA Electric a.s.	Czech Republic	100.00%	100.00%
AVIA Motors s.r.o.	Czech Republic	100.00%	100.00%
AVIEN, spol. s.r.o.[1)]	Czech Republic	100.00%	—
BREVETI SPV a.s.[2)]	Czech Republic	—	100.00%
CLEVELOPMENT	Czech Republic	100.00%	—
CSG a.s.	Czech Republic	100.00%	100.00%
CSG AEROSPACE a.s.[3)]	Czech Republic	100.00%	100.00%
CSG DEAL a.s.	Czech Republic	100.00%	100.00%
CSG DEFENCE a.s.	Czech Republic	100.00%	100.00%
CSG EXPORT a.s.	Czech Republic	100.00%	100.00%
CSG INDUSTRY a.s.	Czech Republic	100.00%	100.00%
CSG RAIL a.s.	Czech Republic	100.00%	100.00%
CSGM a.s.	Czech Republic	100.00%	100.00%
ENGINEERING SPV a.s.	Czech Republic	100.00%	100.00%
ENVERCOTE a.s.	Czech Republic	60.00%	60.00%
EXCALIBUR INTERNATIONAL a.s.	Czech Republic	90.00%	90.00%
GERLENAIR a.s.	Czech Republic	100.00%	100.00%
HTH land a.s.	Czech Republic	100.00%	100.00%
INTEGRA CAPITAL a.s.	Czech Republic	100.00%	100.00%
KARBOX Holding s.r.o.	Czech Republic	100.00%	100.00%
KARMONIKA AERO a.s.[4)]	Czech Republic	100.00%	100.00%
KONVERTIAL SPV a.s.[5)]	Czech Republic	100.00%	100.00%
LIAZ TRUCKS a.s.	Czech Republic	100.00%	100.00%
LOSTR a.s.	Czech Republic	100.00%	100.00%
MADE CS a.s.	Czech Republic	100.00%	100.00%
NIKA Development a.s.	Czech Republic	91.97%	91.97%
PROGRESS SPV a.s.	Czech Republic	100.00%	100.00%
RADIATIK a.s.	Czech Republic	100.00%	100.00%
REALID SPV a.s.	Czech Republic	100.00%	—
RELAZA SPV a.s.	Czech Republic	100.00%	—
RUMPETA a.s.	Czech Republic	100.00%	100.00%
TABLON SPV a.s.	Czech Republic	100.00%	100.00%
TATRA a.s.	Czech Republic	100.00%	—
TATRA AVIATION a.s.	Czech Republic	100.00%	100.00%
TATRA MANUFACTURE a.s.	Czech Republic	100.00%	100.00%
TECHPARK Hradubická a.s.	Czech Republic	100.00%	100.00%
TRIBLAN a.s.	Czech Republic	100.00%	100.00%
TRUCK SERVICE GROUP s.r.o.	Czech Republic	100.00%	100.00%
VORNEA SPV s.r.o.	Czech Republic	100.00%	100.00%

1. In 2022, AVIEN, which was previously recorded as a financial investment, was included.
2. In 2022, BREVETI SPV a.s. was dissolved through merger by amalgamation without liquidation and its assets, rights and obligations were transferred to the successor company DAKO-CZ MACHINERY. The effective date of the merger by amalgamation is 1 January 2022.
3. In 2021, the assets of the dissolving company CSG RDR a.s. were transferred to CSG AEROPSACE a.s. as a result of the merger by amalgamation.
4. In 2022, KARMONIKA SPV a.s. was renamed KARMONIKA AERO a.s.
5. In 2022, the company TATRA a.s. was renamed KONVERTIAL SPV a.s. In the same year, a new company called TATRA a.s. was established.

The costs of investments (net of the effect of allowances) and accompanying information on selected investments are presented in the tables below.

As of 31 December 2022 (CZK thousand)	Total profit (+) loss (-) for 2022	Equity as of 31 December 2022	Cost
RUMPETA a.s.		5,407,581	5,407,638
NIKA DEVELOPMENT a.s.	67,621	1,829,877	1,687,399
CSG RAIL a.s.	-3,111	1,642,454	598,777
INTEGRA CAPITAL a.s.	-24,476	124,691	252,685
EXCALIBUR INTERNATIONAL a.s.	120,159	473,004	194,142
14. OKTOBAR d.o.o. Kruševac	-19,623	-2,400	137,701
AVIA Motors s.r.o.	18,927	128,187	109,790
CSG AEROSPACE a.s.	-68,675	1,448,141	72,283
KARMONIKA SPV a.s.	-44,977	1,548	62,000
TECHPARK HRADUBICKÁ a.s.	-1,270	60,158	58,718
CSGM a.s.	14,440	72,259	52,350
Other	—	—	137,553
Total			**8,771,036**

As of 31 December 2021 (CZK thousand)	Total profit (+) loss (-) for 2021	Equity as of 31 December 2021	Cost
NIKA DEVELOPMENT a.s.	132,188	1,762,256	1,687,399
CSG DEFENCE a.s.	480	1,392,323	1,391,929
TRIBLAN a.s.	-19,280	1,624,214	596,777
INTEGRA CAPITAL a.s.	4,503	149,167	252,685
AVIA Motors s.r.o.	153,707	228,077	109,790
CSG AEROSPACE a.s.	222,722	1,516,817	72,283
TECHPARK HRADUBICKÁ a.s.	-50	61,429	58,718
CSGM a.s.	-4,653	57,820	52,350
Other	—	—	184,002
Total			**4,405,933**

In line with the accounting policies disclosed in Note 3, the Company recognised an allowance for non-current financial assets of CZK 103,085 thousand as of 31 December 2022; for the investment in INTEGRA CAPITAL a.s. of CZK 85,000 thousand, for the investment in LOSTR a.s. of CZK 17,000 thousand and for the investment in TECHPARK Hradubická a.s. of CZK 1,085 thousand (31 December 2021: INTEGRA CAPITAL a.s. of CZK 85,000 thousand, LOSTR a.s. of CZK 17,000 thousand, TECHPARK Hradubická a.s. of CZK 1,085 thousand).

The Company did not recognise an allowance for other financial investments either owing to the anticipated profits in the coming years or for the reason that the market cost of the asset is greater than its valuation in the accounting records.

II. Sale of Companies

In 2022, the equity investment in GACEL Hoding a.s., established in 2022, was sold.

In 2022, the equity investment in LAIRAN SPV a.s., established in 2022, was sold.

In 2022, the equity investment in DD ACQUISITION a.s. was sold. The company was recognised as a financial investment.

The effect of the sale of the companies' equity investments in 2022 and 2021 is quantified in Note 10 to the financial statements.

III. New Companies

In 2022, the following companies were established:

Name of Company	Country of Incorporation	31 December 2022	31 December 2021
REALID SPV a.s.	Czech Republic	100.00%	—
RELAZA SPV a.s.	Czech Republic	100.00%	—
TATRA a.s.	Czech Republic	100.00%	—
LAIRAN SPV a.s.	Czech Republic	—	—
GACEL Holding a.s.	Czech Republic	—	—

IV. Investments in Joint Ventures and Associates

Name of Company	Country of Incorporation	31 December 2022	31 December 2021
FALCON CSG a.s.	Czech Republic	30.00%	30.00%
Milconn, a.s.	Czech Republic	50.00%	50.00%

13. Loans and Other Financial Assets

CZK thousand	31 December 2022	31 December 2021
Assets at amortised cost		
Granted loans	5,422,254	5,858,738
Other financial assets	164,573	48,665
Receivables from the payment of dividends	—	84,691
Total assets at amortised cost – subtotal	**5,586,827**	**5,992,094**
Financial derivatives	650,514	249,211
Total financial assets at fair value	**650,514**	**249,211**
Total loans and other financial assets	**6,237,341**	**6,241,305**
Long-term	4,109,660	2,216,647
Short-term	2,127,681	4,024,658
Total loans and other financial assets	**6,237,341**	**6,241,305**

Granted loans namely represent the loans provided to related parties. Relations with related parties including the loans granted are described in more detail in Note 30 – Related Parties.

Other financial assets in 2022 predominantly consist of advances on non-current financial assets in the amount of CZK 158,595 thousand.

Receivables arising from the payment of dividends as of 31 December 2021 predominantly include receivables from EXCALIBUR INTERNATIONAL a.s. in the amount of CZK 84,691 thousand.

Allowances for loans and other financial assets are disclosed in Note 29 A) I.

14. Derivatives

As of 31December 2022 and 31 December 2021, the Company recorded receivables and payables arising from derivative contracts entered into at fair value, broken down as follows:

CZK thousand	31 December 2022	31 December 2021
Assets at fair value		
Short-term derivatives	113,422	123,645
Long-term derivatives	537,092	125,566
Derivatives – total assets	**650,514**	**249,211**
Liabilities at fair value		
Short-term derivatives	15,896	36,040
Long-term derivatives	41,984	8,803
Derivatives – total liabilities	**57,880**	**44,843**
Total derivatives	**592,634**	**204,368**
Reported through profit or loss	360,220	204,368
Reported through other comprehensive income	232,414	—
Total derivatives	**592,634**	**204,368**

The above amounts are reported under Short-term or Long-term financial instruments and financial liabilities. Derivatives recognised in profit or loss are speculative in nature. Derivatives recognised in other comprehensive income are hedging derivatives. In 2021, all derivatives were speculative in nature.

The Company records the following derivative types and open position amounts as of 31 December 2022:

Speculative derivatives:

- FX forwards for the purchase of Euro against CZK in the total volume of EUR 9,000 thousand in 2023;
- Currency swaps for the purchase of Euro against CZK in the total volume of 14,000 thousand CZK in 2023;
- FX forwards on the sale of Euro for CZK in the total volume of EUR 59,000 thousand in 2023, EUR 62,000 thousand in 2024 and EUR 41,000 thousand in 2025;
- Currency swaps on the sale of Euro for CZK in the total volume of EUR 20 thousand in 2023;
- Interest rate swaps for hedging the floating interest rate 1M-3M EURIBOR at a fixed rate between 0.49–2.89% for an EUR credit facility in the total amount of EUR 155,039 thousand for the period between 2024 and 2028;
- CZK/EUR currency interest rate swap in the amount of CZK 467,480 thousand / EUR 19,050 thousand with a fixed exchange rate for the CZK part at 16.65% and 6M EURIBOR + 11% for the EUR part.

Hedging derivates:

- Interest rate swaps for hedging the floating interest rate 6M PRIBOR at a fixed rate between 1.22–5.39% for a CZK credit facility in the total amount of CZK 2,900,000 thousand for the period between 2024–2026.

The Company records the following types of derivatives and volume of open position as at 31 December 2021:

- FX forwards for the sale of EUR for CZK in the total volume of EUR 96,400 thousand in 2022, 38,000 thousand in 2023, EUR 44,000 in 2024 a EUR 27,000 thousand in 2025;
- FX forwards for the purchase of EUR for CZK in the total volume of EUR 15,683 thousand in 2022 a EUR 18,000 thousand in 2024;
- Currency options for the sale of EUR for CZK in the total volume of EUR 24,000 thousand in 2022;
- Currency options for the purchase of EUR for CZK in the total volume of EUR 23,000 thousand in 2022;
- Currency swaps for the sale of EUR for CZK in the total volume of EUR 59,900 in 2022;
- Interest rate swaps for hedging the floating interest rate 6M PRIBOR at a rate between 1,2–3,43% for a credit facility in the total volume of CZK 2,100,000 thousand between 2024–2026.

In 2022, the Company began reporting selected derivatives as hedging instruments in relation to interest rate risk for hedging cash flows. In accordance with the accounting policy set out in Note 3 A), the 2022 income arising from the remeasurement of these derivatives is recognised in the line Other comprehensive income in the amount of CZK 108,245 thousand.

The impact on profit or loss from speculative derivative transactions for 2022 is an income of CZK 507,508 thousand, presented in the line Financial income.

The impact on the total comprehensive income from derivative transactions in 2022 is an income of CZK 615,753 thousand (in 2021, the income of CZK 308,748 thousand was reported in profit or loss and presented in the line Financial income).

15. Trade Receivables and Other Assets

CZK thousand	31 December 2022	31 December 2021
Trade receivables	40,371	45,374
Other receivables	506,405	991,011
Estimated receivables	—	12,920
Total trade receivables and other receivables	**546,776**	**1,049,305**
Deferred expenses	1745	88
Prepayments made	592	68,655
Accruals	**2,337**	**68,743**
Total trade receivables and other assets	**549,113**	**1,118,048**
Long-term	20,082	81,968
Short-term	529,031	1,036,080
Total trade receivables and other assets	**549,113**	**1,118,048**

As of 31 December 2022, the balance of other receivables predominantly includes a receivable from CSG Aerospace a.s. from assigned bonds in the amount of CZK 400,000 thousand, a receivable from ASSET SPV a.s. from assigned receivable in the amount of CZK 41,000 thousand, and a receivable from Dubnica Property s.r.o. from assigned receivable in the amount of CZK 32,473 thousand.

As of 31 December 2021, the balance of other receivables predominantly includes a receivable from CSG AEROSPACE a.s. from assigned bonds in the amount of CZK 400,000 thousand, a receivable from DAKO-CZ, a.s. from an assigned receivable in the amount of CZK 267,482 thousand, a receivable from ASSET SPV a.s. from assigned receivable in the amount of CZK 41,000 thousand.

The Company's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 29 – Risk Management and Disclosure Methods.

Allowances for receivables and othr assets are presentzed in Note 29 A) I).

16. Inventory

As of 31 December 2022, the Company recorded no inventory balance. As of 31 December 2021, the Company recorded goods of CZK 182 thousand in inventory.

17. Tax Receivables and Payables

As of 31 December 2022, the Company recorded tax payables in the amount of CZK 33,602 thousand, of which CZK 25,334 thousand represents income tax payables.

As of 31 December 2021, the Company recorded tax payables in the amount of CZK 49,529 thousand, of which CZK 47,431 thousand represents income tax payables.

18. Cash and Cash Equivalents

CZK thousand	31 December 2022	31 December 2021
Current bank accounts	781,013	516,560
Cash	–	–
Cash and cash equivalents in the cash flow statement	**781,013**	**516,560**

In 2019, the Company stopped using cash and all monetary transactions are cashless.

19. Equity

Share Capital

As of 31 December 2022 and as of 31 December 2021, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000,000.

The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100,000,000.

In 2022 and 2021, the Company paid no dividends.

31 December 2022	Shares (CZK thousand)	Ownership percentage (%)	Voting rights (%)
CSG FIN a.s.	2,000,000	100	100
Total shares	**2,000,000**	**100**	**100**

In 2021, the sole owner decided to increase the share capital of CZECHOSLOVAK GROUP a.s. The share capital was increased by CZK 1,998,000,000 from CZK 2,000,000 to CZK 2,000,000,000 from the Company's own funds, i.e. from other funds – other capital funds. The increase in the share capital was performed by increasing the nominal value of the existing investments held by the sole owner of the Company, by increasing the nominal value of each share by CZK 99,900,000, i.e. to CZK 100,000,000, for all existing twenty registered book-entry shares with a nominal value of CZK 100,000 per share.

Other Reserves

CZK thousand	31 December 2022	31 December 2021
Other capital reserves	898,898	898,898
Other indivisible reserves	82,756	83,292
Total	**981,654**	**982,190**

A major portion of other reserves represents an effect on the Company's interest-rate advantage arising from the use of a non-interest bearing ownership loan, which is recognised through equity. The Company considers the ownership loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Company in the form of exemption from interest. The fair value of a non-interest bearing ownership loan is highly likely to differ from the nominal value during its initial recognition. The Company recognises the difference between the fair value of an ownership loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2022, these non-reciprocal capital contributions totalled CZK 82,756 thousand (31 December 2021: CZK 83,292 thousand).

Gains or Losses from the Remeasurement of Derivates

In connection with the introduction of hedge accounting for selected financial derivatives, differences arising from the remeasurement of these hedging instruments were recognised in equity in the line Gains or Losses from the Remeasurement of Derivatives. The total impact in 2022 amounted to CZK 108,245 thousand.

20. Loans and Borrowings – Received

CZK thousand	31 December 2022	31 December 2021
Owner loans and loans from related parties	5,398,061	1,765,945
Loans from third parties (other loans)	1,130,394	557,001
Total	**6,528,455**	**2,322,946**
Long-term	3,116,517	380,530
Short-term	3,411,938	1,942,416
Total	**6,528,455**	**2,322,946**

As of 31 December 2022, the weighted average interest rate of loans amounted to 8.68% (31 December 2021: 5.75%).

Terms and Summary of Loan Maturities

The following terms applied to outstanding loans and borrowings:

31 December 2022 (CZK thousand)	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year	Due in 1 to 5 years	Due in more than 5 years
Loans from related par-ties	CZK	fixed	2023–2027	585,289	117,809	467,480	—
Loans from related par-ties	CZK	non-interest bearing	2023	31,694	31,694	—	—
Loans from related par-ties	EUR	non-interest bearing	2023	5,141	5,141	—	—
Loans from related par-ties	CZK	variable	2023	1,054,569	1,054,569	—	—
Loans from related par-ties	USD	variable	2023	52,475	52,475	—	—
Loans from related par-ties	EUR	variable	2023–2027	3,668,893	1,887,996	1,415,721	365,176
Loans from third parties	CZK	fixed	2023–2027	154,909	154,909	—	—
Loans from third parties	CZK	non-interest bearing	2023	3,700	3,700	—	—
Loans from third parties	CZK	variable	2023	1,008	1,008	—	—
Loans from third parties	EUR	variable	2023–2027	970,777	102,637	—	868,140
Total				**6,528,455**	**3,411,938**	**1,883,201**	**1,233,316**

31 December 2021 (CZK thousand)	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year	Due in 1 to 5 years
Loans from related parties	CZK	fixed	2022	1,327	1,327	—
Loans from related parties	CZK	variable	2022	1,640,861	1,640,861	—
Loans from related parties	CZK	non-interest bearing	2022-2023	14,450	1,670	12,780
Loans from related parties	USD	variable	2022	94,305	94,305	—
Loans from related parties	EUR	variable	2022	15,002	15,002	—
Loans from third parties	CZK	non-interest bearing	2022	2,600	2,600	—
Loans from third parties	CZK	fixed	2022-2023	354,000	80,000	274,000
Loans from third parties	CZK	variable	2022-2024	200,401	106,651	93,750
Total				**2,322,946**	**1,942,416**	**380,530**

Non-interest bearing loans are recognised at their carrying amounts using market interest rates, with the capital portion of the loan reported through equity – refer to Note 19.

Other Financial Instruments

Liabilities from financial derivatives are presented in Note 14 – Derivatives.

21. Bonds

On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the total nominal value of placement of CZK 1,999.8 million with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the principal amount of CZK 1,999.8 million. As of 31 December 2021, the Company recognised a payable from these issues in the principal amount of CZK 1,999.8 million.

The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 November and 1 May each year.

On 1 July 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003532681) with a floating interest income in the total nominal value of placement of CZK 2,000 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of CZK 10 thousand per bond. As of 31 December 2022, the Company recognised a payable from these issues in the amount of CZK 2,000 million. As of 31 December 2021, the Company recognised a payable from these issues in the amount of CZK 2,000 million.

The CSG VAR/26 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin p.a., with interest falling due biannually as of 1 January and 1 July each year.

On 17 September 2021, the Company issued CSG VAR/26 bonds (ISIN CZ0003534174) with a fixed (step-up) interest income in the estimated total nominal value of placement of EUR 25 million with maturity in 2026. The bonds were issued as securities in the book-entry form with a nominal value of EUR 100 thousand per bond. As of 31 December 2022, the Company recognises a payable from these issues in the amount of CZK 361,725 thousand. As of 31 December 2021, the Company recognised a payable from these issues in the amount of CZK 599,126 thousand.

The CSG/VAR 26 bonds bear interest at a fixed (step-up) rate, which increases gradually from 3.5% p.a. to 4.35% p.a. according to a predetermined procedure specified in the bond prospectus. Interest is payable quarterly on 17 January, 17 March, 17 June and 17 September of each year.

On 21 December 2022, the Company issued CSG VAR/2027 (ISIN CZ003546780) floating rate bonds with an expected total nominal value of the issue of up to EUR 15 million, maturing in 2027. The bonds were issued as book-entry securities with a nominal value of EUR 100 thousand each. As of 31 December 2022, the Company records a payable of CZK 219,447 thousand for these issues. As of 31 Decem-ber 2021, the payable was CZK 0.

CSG/VAR 27 bonds bear interest at a floating rate consist-ing of 6M EURIBOR + 3.5% p.a. margin, with a minimum interest rate of 4.25%. Interest is payable semi-annually on 21 June and 21 December each year.

CZK thousand	31 December 2022	31 December 2021
Issued bonds	4,580,972	4,598,926
Outstanding interest	37,032	20,223
Subtotal	4,618,004	4,619,149
Bond issue costs	-30,856	-42,264
Total bonds	**4,587,148**	**4,576,885**
Non-current	4,561,647	4,568,172
Current	25,501	8,713
Total bonds	**4,587,148**	**4,576,885**

Bonds as of 31 December 2022 and 31 December 2021 were subject to the following conditions:

CZK thousand	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year*	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2019–2024	2,035,854	36,054	1,999,800	—
CSG VAR/26	CZK	variable	2021–2026	2,000,012	12	2,000,000	—
CSG VAR/26	EUR	fixed (step-up)	2021–2026	362,283	558	361,725	—
CSG VAR/27	EUR	variable	2022–2027	219,855	408	219,447	—
Total				**4,618,004**	**37,032**	**4,580,972**	**—**

* the amount due within 1 year consists of interest accrued and unpaid in 2022

CZK thousand	Currency	Nominal interest rate	Due in	Balance at 31 December 2022	Due in 1 year*	Due in 1 to 5 years	Due in subsequent years
CSG VAR/24	CZK	variable	2019–2024	2,019,149	19,349	1,999,800	—
CSG VAR/26	CZK	variable	2021–2026	2,000,000	—	2,000,000	—
CSG VAR/26	EUR	fixed (step-up)	2021–2026	600,000	874	599,126	—
Total				**4,619,149**	**20,223**	**4,598,926**	**—**

* the amount due within 1 year consists of interest accrued and unpaid in 2021

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 29 – Risk Management and Disclosure Methods.

22. Trade and Other Payables

CZK thousand	31 December 2022	31 December 2021
Prepayments received	—	18,800
Trade payables	108,556	2,522
Other payables	63,704	288,529
Trade and other payables – subtotal	**172,260**	**309,851**
Unbilled supplies	539	153,408
Accrued expenses	—	—
Estimated payables – subtotal	**539**	**153,408**
Trade and other payables – total	**172,799**	**463,259**
Long-term	—	—
Short-term	172,799	463,259
Trade and other payables – total	**172,799**	**463,259**

As of 31 December 2022, other payables predominantly include a payable to COMMERZBANK Aktiengesellschaft of CZK 32,207 thousand from the settlement of interest rate derivatives. Another significant payable is the advance payment for dividends received from GERLENAIR a.s. in the amount of CZK 21,000 thousand.

The balance of trade payables as of 31 December 2022 consists predominantly of a payable for services from CSGM a.s. in the amount of CZK 74,425 thousand and payable to Fineurop Soditic S.p.A in the amount of CZK 33,761 thousand.

The balance of other liabilities as of 31 December 2021 consists predominantly of the liability for the additional equity contribution to TRIBLAN a.s. in the amount of CZK 267,482 thousand.

The balance of uninvoiced supplies as of 31 December 2021 consists predominantly of estimates for service provision from CSGM a.s. in the amount of CZK 143,811 thousand.

23. Provisions

CZK thousand	Litigation provisions	Total
Balance as of 1 January 2022	**28,438**	**28,438**
Additions – provisions created in current period	21,562	21,562
Additions (+) and release (-) of provisions through balance sheet	—	—
Drawing – provisions drawn down in current period	—	—
Release – provisions released in current period	—	—
Balance as of 31 December 2022	**50,000**	**50,000**
Long-term	50,000	50,000
Short-term	—	—
Total provisions	**50,000**	**50,000**

In 2022, a provision for the “SARN” litigation (see Note 31 – Legal Disputes) was increased to the amount of CZK 50,000 thousand. In 2021, the provision balance was CZK 28,438 thousand.

24. Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets and liabilities were reported:

CZK thousand	31 December 2022	31 December 2021
Non-interest-bearing owner loans	—	-156
Interest-bearing loans	1,552	—
Other loans and payables	589	543
Total	**2,141**	**387**
Tax offsetting	**—**	**—**
Net deferred tax asset (+) / tax liability (-)	**2,141**	**387**

Movements in Temporary Differences During the Year

CZK thousand Temporary difference in relation to the below items:	Balance at 1 January 2022	Reported through comprehensive income	Reported through equity	Balance at 31 December 2022
Allowance against loans and receivables	543	46	—	589
Non-interest-bearing owner loans	-156	31	125	—
Interest-bearing loans	—	1,552	—	1,552
Total	**387**	**1,629**	**125**	**2,141**

CZK thousand Temporary difference in relation to the below items:	Balance at 1 January 2022	Reported through comprehensive income	Reported through equity	Balance at 31 December 2022
Allowance against loans and receivables	2,509	-1,966	—	543
Non-interest-bearing owner loans	-545	122	267	-156
Total	**1,964**	**-1,844**	**267**	**387**

25. Fair Value of Financial Instruments

Fair Value Hierarchy of Financial Instruments Carried at Fair Value

The Company has no financial instruments (assets or liabilities) for the years ended 31 December 2022 and 2021 carried at fair value with the exception of bonds and derivatives. The fair values of financial instruments reported at their carrying amounts are presented below:

- Derivatives and bonds are recognised at fair value within Level 2.
- Level 3 includes other financial assets and liabilities and their fair value does not significantly differ from their carrying amounts (for additional details about the valuation methods refer to Note 2 D) Use of Estimates and Judgement).

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 29 – Risk Management and Disclosure Methods.

26. Leases

The Company did not enter into any significant lease contracts whether as a lessee or lessor.

27. Provided Guarantees

CZK thousand	31 December 2022	31 December 2021
Provided guarantees	10,759,882	4,164,064
Total financial guarantees	**10,759,882**	**4,164,064**

In 2022, the Company provided financial guarantees with an aggregate value of CZK 13,795,248 thousand. The value of the guarantees as of 31 December 2022 is CZK 10,759,882 thousand. The provided financial guarantees as of 31 December 2022 predominantly include guarantees for CSG subsidiaries in the amount of CZK 10,726,763 thousand.

In 2021, the Company provided financial guarantees with an aggregate value of CZK 6,428,864 thousand. Value of guarantees as of 31 December 2021 is CZK 4,164,064 thousand. The provided financial guarantees as of 31 December 2021 predominantly include guarantees for CSG subsidiaries in the amount of CZK 4,097,479 thousand.

28. Pledged Assets

As of 31 December 2022, the following assets were provided as a collateral to secure bank loans:

- Agreement on the establishment of a lien on receivables from accounts No. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442/2250 in USD;
- Pledge agreement on securities, issuer NIKA Development a.s., 2,759 pcs/1 piece with a nominal value of CZK 1 thousand.
- Pledge agreement on securities, issuer CSG Rail, 20 pcs/1 piece with a nominal value of CZK 100 thousand.

As of 31 December 2021, the following assets were provided as a collateral to secure bank loans:

- Agreement establishing a pledge on receivables from accounts no. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442/2250 in USD;
- Agreement establishing a pledge on securities, issuer NIKA Development a.s., 2,759 pieces / 1 piece with the nominal value of CZK 1 thousand;
- Agreement establishing a pledge on securities, issuer TRIBLAN a.s., 20 pieces / 1 piece with the nominal value of CZK 100 thousand.

29. Risk Management and Disclosure Methods

This Note provides a detailed description of the financial and operating risks to which the Company is exposed and the methods used in managing them. The major financial risks to which the Company is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

Classes and Categories of Financial Instruments and Measurement of their Fair Value

The following table contains information about:

- Classes of financial instruments, their substance and characteristics;
- Amortised cost of financial instruments;
- Fair values of financial instruments (with the exception of financial instruments whose value approximates their fair value); and
- The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

The hierarchy of Fair Value Levels 1 to 3 is based on the extent to which fair value is observable:

- Level 1 fair value measurements are derived from prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than the listed prices included in Level 1 that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable in respect of the asset or liability; and
- Level 3 fair value measurements are derived from measurement techniques including inputs for the asset or liability that is not based on identifiable market information (unobservable inputs).

31 December 2022 (CZK thousand)	Note	Mandatorily at fair value FVTPL – other	FVOCI – equity instruments	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value										
Derivatives										
Total		**418,100**	**232,414**	**—**	**—**	**650,514**	**—**	**650,514**	**—**	**650,514**
Financial assets not reported at fair value										
Trade and other receivables	15	—	—	549,113	—	549,113	—	—	—	—
Provided loans	13	—	—	5,422,254	—	5,422,254	—	5,422,254	—	5,422,254
Other financial assets	13	—	—	164,573	—	164,573	—	—	—	—
Cash and cash equivalents	18	—	—	781,013	—	781,013	—	—	—	—
Total		**—**	**—**	**6,916,953**	**—**	**6,916,953**	**—**	**5,422,254**	**—**	**5,422,254**
Financial payables reported at fair value										
Derivatives	14	57,880	—	—	—	57,880	—	57,880	—	57,880
Total		**57,880**	**—**	**—**	**—**	**57,880**	**—**	**57,880**	**—**	**57,880**
Financial payables not reported at fair value										
Secured bank loans	20	—	—	—	1,028,317	1,028,317	—	1,028,317	—	1,028,317
Loans from related parties	20	—	—	—	5,398,061	5,398,061	—	5,398,061	—	5,398,061
Loans from third parties	20	—	—	—	102,077	102,077	—	102,077	—	102,077
Trade and other payables	22	—	—	—	172,799	172,799	—	—	—	—
Long-term bonds	21	—	—	—	4,561,647	4,561,647	—	4,568,172	—	4,568,172
Short-term bonds	21	—	—	—	25,501	25,501	—	8,713	—	8,713
Total		**—**	**—**	**—**	**11,288,402**	**11,288,402**	**—**	**11,105,340**	**—**	**11,105,340**

31 December 2021 (CZK thousand)	Note	Mandatorily at fair value FVTPL – other	Financial assets at amortised costs	Other financial payables	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value									
Derivatives	12	249,211	—	—	249,211	—	249,211	—	249,211
Total		**249,211**	**—**	**—**	**249,211**	**—**	**249,211**	**—**	**249,211**
Financial assets not reported at fair value									
Trade and other receivables	13	—	1,118,048	—	1,118,048	—	—	—	—
Provided loans	12	—	5,858,738	—	5,858,738	—	5,858,738	—	5,858,738
Other financial assets	12	—	133,356	—	133,356	—	—	—	—
Cash and cash equivalents	16	—	516,560	—	516,560	—	—	—	—
Total		**—**	**7,626,702**	**—**	**7,626,702**	**—**	**5,858,738**	**—**	**5,858,738**
Financial payables reported at fair value									
Derivatives	18	44,843	—	—	44,843	—	44,843	—	44,843
Total		**44,843**	**—**	**—**	**44,843**	**—**	**44,843**	**—**	**44,843**
Financial payables not reported at fair value									
Secured bank loans	18	—	—	522,750	522,750	—	522,750	—	522,750
Loans from related parties	18	—	—	1,765,945	1,765,945	—	1,765,945	—	1,765,945
Loans from third parties	18	—	—	34,251	34,251	—	34,251	—	34,251
Trade and other payables	20	—	—	463,259	463,259	—	—	—	—
Long-term bonds	19	—	—	4,568,172	4,568,172	—	4,568,172	—	4,568,172
Short-term bonds	19	—	—	8,713	8,713	—	8,173	—	8,713
Total		**—**	**—**	**7,363,090**	**7,363,090**	**—**	**6,899,831**	**—**	**6,899,831**

A) Credit Risk

I. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Company's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.

As of the balance sheet date, the maximum credit risk exposure is divided by counterparty as shown in the following tables.

The majority of financial assets as of 31 December 2022 are from counterparties within the European Union, with the exception of a loan to a counterparty in Serbia in the amount of CZK 130,661 thousand (31 December 2021: CZK 156,347 thousand) and in the USA in the amount of CZK 51,876 thousand (31 December 2021: CZK 48,134 thousand).

Credit Risk Management in Respect of Trade and Other Receivables

The Company reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it.

The Company assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Company's internal guidelines. The Company's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Company also requires that its customers provide it with appropriate forms of guarantees or collateral.

Impairment Loss and Write-Off of Receivables

The Company recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Company.

To measure expected credit losses in relation to the transition to IFRS 9, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Company set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Company's business transactions are concluded with entities directly or closely related to state and public institutions.

Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.1% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade [1] (refer to Default, Transition and Recovery: 2020 Annual Global Corporate Default And Rating Transition Study, Table No. 26).

The middle-risk group includes public entities from countries with a rating of A- to BB. This group has been assigned the probability of default at 1.9%. This value has been selected as the arithmetic average of the low-risk and high-risk values.

The highest-risk group includes private businesses from countries with a rating of BB- and worse, which has been assigned the highest probability of default at 3.7%. This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade [2] (refer to Default, Transition and Recovery: 2020 Annual Global Corporate Default And Rating Transition Study, Table No. 26).

Furthermore, the Company has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Company reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).

The Company anticipates loss given default (LGD) at 100%.

The Company always reports lifetime expected credit loss in respect of trade receivables.

The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, general economic conditions in the debtor's country and the assessment of the existing and expected development of the conditions as of the reporting date, including the recognition of the time value of money, if relevant. The Company has identified GDP and the unemployment rate in the Czech Republic, Slovakia and Servia, which are the primary destinations of the sale of its goods and services, to be the most significant factors. If a change in these factors is expected, the Company adjusts the probability of default rate for a specific risk mark-up.

In respect of other financial instruments, the Company reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect

of the financial instrument, the Company will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

Write-off of Receivables

The Company assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Company's management will decide to write it off.

Credit Risk by Counterparty

As of 31 December 2022 (CZK thousand)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	3,318,521	–	650,514	2,268,306	–	6,237,341
Trade receivables and other assets	529,031	–	–	20,082	–	549,113
Cash and cash equivalents	–	–	781,013	–	–	781,013
Total	**3,847,552**	**–**	**1,431,527**	**2,288,388**	**–**	**7,567,467**

As of 31 December 2021 (CZK thousand)	Legal entities (non-financial institutions)	State, government	Financial institutions	Individuals	Other	Total
Assets						
Loans and other financial assets	4,570,888	–	241,799	1,428,618	–	6,241,305
Trade receivables and other assets	1,115,048	–	–	3,000	–	1,118,048
Cash and cash equivalents	–	–	516,560	–	–	516,560
Total	**5,685,936**	**–**	**758,359**	**1,431,618**	**–**	**7,875,913**

1 Refer to Default, Transition and Recovery: 2020 Annual Global Corporate Default and Rating Transition Study | S&P Global Ratings (spglobal.com), table no. 26 – investment grade); Default, Transition, and Recovery: 2020 Annual Global Corporate Default and Rating Transition Study | S&P Global Ratings (spglobal.com)

2 Refer to Default, Transition and Recovery: 2020 Annual Global Corporate Default and Rating Transition Study | S&P Global Ratings (spglobal.com), table no. 26 – speculative grade); Default, Transition, and Recovery: 2020 Annual Global Corporate Default and Rating Transition Study | S&P Global Ratings (spglobal.com)

II. Impairment Losses

As of the balance sheet date, the aging analysis of financial assets (without derivatives), excluding cash and cash equivalents was as follows:

Financial assets (CZK thousand)	31 December 2022	31 December 2021
Before due date (net)	6,130,388	7,110,383
Past due date (net)	7,693	328
Total	**6,138,081**	**7,110,711**

The allowance for financial assets is used to recognise impairment losses, provided the Company does not conclude that the outstanding amount can no longer be recovered. In this situation, the amounts are considered to be irrecoverable and are written off directly through financial assets.

The aging analysis and impairment losses on financial assets excluding cash and cash equivalents as of the balance sheet date:

As of 31 December 2022 (CZK thousand)	Net carrying amount	Before due date – gross	More than 90 days past due - gross	More than 91–180 days past due – gross	More than 181–360 days past due – gross	More than 360 days past due – gross	Allowance	Risk group 1 net	Risk group 2 net
Loans and other financial assets	5,586,827	5,593,162	—	—	1,832	88,694	-96,861	5,300,053	286,774
Trade receivables and other finan-cial assets	546,776	540,486	4,690	586	3,243	32,207	-34,436	545,636	1,140
Total	**6,133,603**	**6,133,648**	**4,690**	**586**	**5,075**	**120,901**	**-131,297**	**5,845,689**	**287,914**

As of 31 December 2021 (CZK thousand)	Net carrying amount	Before due date – gross	More than 90 days past due - gross			More than 360 days past due – gross	Allowance	Risk group 1 net	Risk group 2 net
Loans and other financial assets	5,992,094	5,999,948	335			62,756	-70,945	5,793,775	198,319
Trade receivables and other finan-cial assets	1,049,305	1,050,222	—			39,078	-39,995	1,048,545	760
Total	**7,041,399**	**7,050,174**	**335**			**101,834**	**-110,940**	**6,842,320**	**199,079**

In 2022, the rating of business partners in risk group 1 was between A and AAA, the rating of business partners in risk group 2 was between BB and A-, the rating of business partners in risk group 3 was BB-.

In 2021, the rating of business partners in risk group 1 was between A+ and AAA, the rating of business partners in risk group 2 was between BB+ and BBB-.

The following movements in allowances against financial assets were reported in the reporting period ended 31 December 2022:

CZK thousand	2022	2021
Balance at 1 January	**110,940**	**103,657**
Impairment losses reported during the period	30,941	34,034
Release (recognition) of impairment loss reported during the period	-10,585	-26,751
Balance at 31 December	**131,296**	**110,940**

Impairment losses on loans and other financial assets as of 31 December 2022 and 2021 primarily concern companies in insolvency proceedings.

B) Liquidity Risk

Liquidity risk is a risk of the Company running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets.

The Company's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Company is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Company's liquidity risk management strategy.

The below-stated table presents a breakdown of the Company's financial assets and liabilities classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Company applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates and for assets at the latest possible date. Assets and liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

As of 31 December 2022 (CZK thousand)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Unspecified due date
Liabilities							
Loans and borrowings	6,528,455	8,183,825	183,158	3,795,524	4,106,221	98,921	—
Bonds	4,587,148	5,842,689	111,679	360,537	5,369,333	1,140	—
Financial instruments and financial payables	57,880	57,880	—	15,896	41,984	—	—
Trade and other payables	172,799	172,260	72,335	99,925	—	—	—
Tax payables	33,602	33,602	33,602	—	—	—	—
Total	**11,379,884**	**14,290,255**	**400,774**	**4,271,883**	**9,517,538**	**100,061**	**—**

As of 31 December 2021 (CZK thousand)	Carrying amount	Contractual cash flows	Fewer than 3 months	3 months to 1 year	1 year to 5 years		Unspecified due date
Liabilities							
Loans and borrowings	2,322,946	2,482,325	35,051	1,964,897	406,391		75,986
Bonds	4,576,885	5,807,446	81,513	249,755	5,476,178		—
Financial instruments and financial payables	44,843	44,843	13,825	22,215	8,803		—
Trade and other payables	463,259	463,259	2,522	286,282	—		174,455
Tax payables	49,529	49,529	—	49,529	—		—
Total	**7,457,462**	**8,847,402**	**132,911**	**2,572,678**	**5,891,372**		**250,441**

The value of loans in the category "unspecified due date" represents short-term loans that have no set maturity date but they are payable on the creditor's request.

The contractual cash flows are higher than the carrying amount due to the inclusion of unrecognised future interest.

The Company does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

C) Interest Rate Risk

During its activities, the Company is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate change dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Company manages interest rate risk through interest rate swaps. As of 31 December 2022, the Company entered into interest rate swaps for the CZK credit facility to hedge the floating interest rate 6M Pribor at fixed rates between 1.22% and 5.39% in the total amount of CZK 2,900,000 thousand for the period between 2023 and 2026. For the EUR credit facility, the Company had an interest rate swap in the amount of EUR 155,039 thousand for the period between 2023 and 2028 to hedge the floating interest rate 1M-3M Euribor at fixed rates between 0.49% and 2.89%. The Company also entered into a CZK/EUR currency interest rate swap in the amount of CZK 467,480 thousand / EUR 19,050 thousand at a fixed exchange rate of 16.65% for the CZK part and 6M Euribor + 11% for the EUR part.

As of 31 December 2021, the Company had interest rate swaps in place, hedging floating 6M PRIBOR interest rates at fixed rates between 1.2% and 3.43% for a credit facility in the total amount of CZK 2,100,000 thousand during the period from 2024 to 2026.

The table presented below presents information on the level of the Company's interest rate risk either based on the contractual maturity periods of the Company's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2022 and 31 December 2021 not including the effects of derivatives and receivables from the payment of dividends and other financial assets are as follows:

As of 31 December 2022 (CZK thousand)	Floating interest rate less than 1 year	Floating interest rate 1 year to 5 years	Fixed interest rate or unspecified	Total
Interest-bearing financial assets				
Loans and other financial assets	4,505,706	–	1,731,635	6,237,341
Total	**4,505,706**	**–**	**1,731,635**	**6,237,341**
Interest-bearing financial liabilities				
Bonds	4,219,247	–	367,901	4,587,148
Loans and borrowings – received	5,746,686	–	781,769	6,528,455
Total	**9,965,933**	**–**	**1,149,670**	**11,115,603**
Net interest-rate risk balance	**-5,460,227**	**–**	**581,965**	**-4,878,262**

As of 31 December 2021 (CZK thousand)	Floating interest rate less than 1 year	Floating interest rate 1 year to 5 years	Fixed interest rate or unspecified	Total
Interest-bearing financial assets				
Loans and other financial assets	1,882,732	–	4,358,573	6,241,305
Total	**1,882,732**	**–**	**4,358,573**	**6,241,305**
Interest-bearing financial liabilities				
Bonds	3,999,800	–	577,085	4,576,885
Loans and borrowings – received	1,950,569	–	372,377	2,322,946
Total	**5,950,369**	**–**	**949,462**	**6,899,831**
Net interest-rate risk balance	**-4,067,637**	**–**	**3,409,111**	**-658,526**

* Composed of deferred expenses and accrued interest on bonds before the day of payment of interest.

Sensitivity Analysis

As of 31 December 2022, financial assets with a floating interest rate primarily include loans provided from subsidiaries of the Company and related companies and entities. As of 31 December 2022 and 2021, interest-bearing financial liabilities predominantly include loans from CSG subsidiaries and related companies. Out of the interest-bearing financial liabilities, especially bonds are subject to a floating interest rate. Following the recognition of the above-described derivative, as of 31 December 2022, only a portion of these issued bonds of CZK 1,680,972 thousand is effectively exposed to the floating interest rate risk (2021: CZK 1,899,800 thousand).

Bonds (CZK thousand)	Reporting period from 1 January to 31 December 2022	Reporting period from 1 January to 31December 2021
Decrease in interest rate by 100 basis point	16,810	18,998
Increase in interest rate by 100 basis points	-16,810	-18,998

Fair Value of Bonds

The fair value of CSG's bonds (net price without accrued interest) as of 31 December 2022 is CZK 1,993,940 thousand for the VAR/24 issue, CZK 1,987,270 thousand for the VAR/26 issue, and CZK 333,890 thousand for the VAR/26 issue issued in EUR and CZK 217,200 thousand for the VAR/27 issue issued in EUR.

The fair value of CSG's bonds (net price without accrued interest) as of 31 December 2021 is CZK 1,992,600 thousand for the VAR/24 issue and CZK 1,960,200 thousand for the VAR/26 issue and CZK 593,700 thousand for the VAR/26 issue issued in EUR.

D) Currency Risk

The Company's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.

The Company is exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the Company's functional currency, primarily in EUR.

As of 31 December 2022 and as of 31 December 2021, the Company was exposed to currency risk (translated to CZK thousand) in the following scope:

As of 31 December 2022 (CZK thousand)	CZK	EUR	USD	Other	Total
Assets					
Loans and other financial assets	3,904,258	1,481,925	200,644	650,514	6,237,341
Trade receivables and other assets	479,186	66,552	3,375	–	549,113
Cash and cash equivalents	270,937	473,630	36,440	6	781,013
Total assets	**4,654,381**	**2,022,107**	**240,459**	**650,520**	**7,567,467**
Liabilities					
Loans and borrowings	1,831,169	4,644,811	52,475	–	6,528,455
Financial instruments and fi-nancial liabilities	–	–	–	57,880	57,880
Bonds	4,005,244	581,904	–	–	4,587,148
Trade and other payables	125,924	33,835	13,040	–	172,799
Tax liabilities	33,602	–	–	–	33,602
Total liabilities	**5,995,939**	**5,260,550**	**65,515**	**57,880**	**11,379,884**

* The Other column shows financial derivates.

As of 31 December 2021 (CZK thousand)	CZK	EUR	USD	Total
Assets				
Loans and other financial assets	3,563,516	2,616,517	61,272	6,241,305
Trade receivables and other assets	767,797	346,942	3,309	1,118,048
Cash and cash equivalents	510,643	5,691	226	516,560
Total assets	**4,841,956**	**2,969,150**	**64,807**	**7,875,913**
Liabilities				
Loans and borrowings	2,213,639	15,002	94,305	2,322,946
Financial instruments and financial liabil-ities	—	44,843	—	44,843
Bonds	3,977,053	599,832	—	4,576,885
Trade and other payables	190,814	272,445	—	463,259
Tax liabilities	49,529	—	—	49,529
Total liabilities	**6,431,035**	**932,122**	**94,305**	**7,457,462**

The following material exchange rates applied during the year:

	31 December 2022		31 December 2021	
CZK	Average rate	Spot exchange rate as of the balance sheet date	Average rate	Spot exchange rate as of the balance sheet date
1 EUR	24,565	24,115	25,645	24,860
1 USD	23,360	22,616	21,825	21,951

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Company considered to be sufficiently likely as of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

Effect on profit or loss (CZK thousand)	31 December 2022	31 December 2021
EUR (10% strengthening)	-7,810	5,064
USD (10% strengthening)	396	-65

The weakening of the Czech crown as of the balance sheet date compared to the above listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

E) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Company's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk.

The Company's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Company's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity.

The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Company's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

F) Commodity Risk

The Company's activities do not face a significant commodity risk.

G) Capital Management

The Company's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions.

As of the balance sheet date, the Company reported the following ratio of debt to equity:

CZK thousand	31 December 2022	31 December 2021
Total liabilities	11,429,884	7,485,900
Decrease for cash and cash equivalents	-781,013	-516,560
Adjusted ned debt	**10,648,871**	**6,969,340**
Total equity	4,809,275	4,695,030
Ratio of debt to equity	**2.21**	**1.48**

30. Related Parties

Definition of related parties

The Company's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

A) Summary of balances with related parties as of 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
CZK thousand	Receivables and other financial assets	Payables and other financial liabilities	Receivables and other financial assets	Payables and other financial liabilities
Shareholders	2,292,840	-646,018	1,429,103	—
Companies with controlling interest	2,241,628	-4,858,576	4,513,879	-2,145,302
Companies with significant interest	1,253	-2,083	1,631	-25,173
Key management of the Company	—	—	—	—
Other related parties	860,447	-37,826	649,992	-54,167
Total	**5,396,168**	**-5,544,503**	**6,594,605**	**-2,224,642**

B) Summary of transactions with related parties as of 31 December 2022 and 31 December 2021:

CZK thousand	Income 2022	Expense 2022	Income 2021	Expense 2021
Shareholders	128,616	41,270	35,324	—
Companies with controlling interest	177,002	437,343	134,121	162,316
Companies with significant interest	2,061	259	86	80
Key management of the Company	—	—	—	—
Other related parties	33,973	11,093	17,909	3,955
Total	**341,652**	**489,965**	**187,440**	**166,351**

31. Legal Disputes

Dispute with SARN SD3LLC

The Company continues as a defendant in litigation pending in the Superior Court of the State of Delaware, New Castle County, USA, captioned "SARN SD3 LLC v. CZECHOSLOVAK GROUP a.s, C.A. No. NI 7C-12-185EMD (CCLD)". The plaintiff is SARN SD3 LLC (SARN), a limited liability company located in the State of Delaware.

The lawsuit was filed on 13 December 2017. The first claim alleges that the Company breached an option agreement between SARN and the Company to acquire 25% of the shares in RETIA, a.s. (RETIA). The second claim alleges that the Company, as a then shareholder of Retia, should have breached the duty of care allegedly owed under the option agreement. The Company responded with a motion to dismiss for failure to specify a claim and lack of jurisdiction. In September 2018, the court denied the Company's motion to dismiss both SARN claims and ordered the litigation to proceed.

During 2018–2020, the evidentiary phase of the litigation (disclosure) was ongoing, with significant delays caused by the COVID-19 pandemic. In the meantime, both parties made a series of submissions in which SARN, on the one hand, supplemented and clarified its claims, and the Company, on the other, refuted, contradicted or presented arguments showing that SARN's claims were ungrounded.

As regards the first claim, SARN initially claimed damages of CZK 56,875,000. In March 2020, SARN applied for an interlocutory judgment ordering the Company to pay that amount. In December 2020, the court granted that motion in principle, but allowed the parties to further exchange submissions on the amount of the damages claimed. In late 2021, the court conceded that SARN was entitled to damages in the amount claimed on the basis of the first claim but did not order the Company to pay that amount, primarily because of the pendency of proceedings on the second claim (see below). In October 2022, SARN filed a motion for reconsideration of the aforementioned interlocutory judgment, claiming that it had discovered "new evidence" indicating that the damages awarded on the first claim should have been higher, namely in the amount of CZK 129,625,000. A hearing was held on this claim in January 2023, and the Company considers this SARN claim to be ungrounded and strongly opposes it. As of the date of this report, the court has not ruled on this matter; however, the Company is determined to appeal any adverse ruling and to continue to vigorously defend its rights if unsuccessful. The Company continues to be represented in this part of the litigation by the Washington, D.C. office of the global law firm Dentons US LLP.

With respect to the second claim, SARN refined its claim in 2021 based on the evidentiary phase and sought damages in excess of USD 108 million. At the same time, however, it did not provide any convincing evidence or testimony to justify the amount claimed. The Company moved to dismiss this claim in its entirety; however, the Court set a civil jury trial for September 2022 regarding this part of the case. The parties subsequently amicably concluded this portion of the litigation after intense negotiations, the jury trial did not occur, and SARN waived any future claims arising from the second claim. This part of the litigation has therefore been effectively concluded.

32. Subsequent Events

In the period between 31 December 2022 and the date of preparation of the Annual Report, the following changes occurred:

A) Changes in the Company's Management

David Chour was appointed Executive Director of the holding on 1 January 2023.

Aleš Kvídera terminated his membership in the Supervisory Board of CZECHOSLOVAK GROUP a.s. on 28 February 2023.

Michaela Katolická became a new member of the Supervisory Board on 1 March 2023.

Report on Related Party Transactions

Prepared for the year ended 31 December 2022

Controlled Entity:

Business name:	**CZECHOSLOVAK GROUP a.s.**
Registered office:	**Pernerova 691/42, Karlín, 186 00 Prague 8**
Corporate ID:	**034 72 302**
File No.:	**B 20071 maintained by the Municipal Court in Prague**

CZECHOSLOVAK GROUP a.s., Corporate ID: 034 72 302, a company with its registered office at Pernerova 691/42, Karlín, 186 00 Prague 8, recorded in the Register of Companies under file No. B 20071 maintained by the Municipal Court in Prague (the "Company"), is obliged to prepare the Report on Related Party Transactions between the controlling entity and controlled entity and between the controlled entity and entities controlled by the same controlling entity (the "Related Parties") for the year ended 31 December 2022 in compliance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended (the "Report on Relations").

I. Controlling Entity

Mr Michal Strnad was the controlling entity of CZECHOSLOVAK GROUP a.s., the controlled entity, until 27 June 2022. Since 28 June 2022, the controlling entity of the Company has been CSG FIN a.s., Corporate ID: 14141442, with its registered office at Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies under file No. B 26982 maintained by the Municipal Court in Prague.

CSG FIN a.s. is controlled by Mr Michal Strnad. This fact is also valid as of 31 December 2022.

II. Structure of Relations between the Controlling Entity and the Company and between the Company and Entities Controlled by the Same Controlling Entity

The structure of relations forms Appendix No. 1 to this Report on Relations.

TATRA TRUCKS a.s. (Corporate ID: 1482840) is controlled by NIKA Development a.s. and PROMET TOOLS, a.s. acting in agreement through their direct equity shares in the controlled entity, i.e. by means of decisions adopted by the General Meeting as the company's supreme body.

III. Role of the Company, Method and Means of Control

The role of the Company is primarily to overarch the activities of its subsidiaries in the Czech Republic, Slovakia, Italy, Spain and other countries. In the respective reporting period, no measures or other legal actions were taken or implemented by the Company in the interest or at the instigation of the controlling entity or entities controlled by the same controlling entity that would give the Company special advantages or impose special obligations on it. The Company does not receive any special advantages in connection with its control, nor does it incur any special obligations to the controlling entity and/or entities controlled by the same controlling entity beyond those agreed in the agreements referred to in Article V of this Report on Relations.

The controlling entity exercises control through its ownership rights by means of resolutions adopted at the General Meetings of the Company (i.e. decisions of the Company's sole shareholder). The methods and means of the Company's control include the Company's Articles of Association and decisions of the Company's supreme body. Accordingly, there are no special agreements between the Company and the controlling entity in relation to the method and means of the Company's control.

IV. Summary of Actions Performed pursuant to Section 82 (2) (d) of Act No. 90/2012 Coll., on Business Corporations, as amended

In the year ended 31 December 2022, the Company did not take any actions at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity that would involve the disposal of assets exceeding 10% of the Company's equity as determined by the financial statements for the reporting period immediately preceding the reporting period for which this Report on Relations is prepared.

V. List of Mutual Contracts and Agreements Concluded between the Controlled Entity and the Controlling Entity or between Controlled Entities

In the respective reporting period, the Company entered into the following agreements with the controlling entity and the Related Parties:

- The Company records an agreement concluded with RUMPETA a.s. arising from the transfer of securities.
- The Company records an agreement with CSGM a.s. arising from the assignment of a receivable.
- The Company records an agreement with CSG DEFENCE a.s. arising from the transfer of equity interest.
- The Company records agreements with CSG AEROSPACE a.s. arising from the assignment of a receivable.
- The Company records an agreement with CSG HEALTH CARE a.s. arising from a loan.
- The Company records an agreement with ARMY TRADE a.s. arising from a loan.
- The Company records an agreement with AVIA Motors s.r.o. arising from a loan.
- The Company records an agreement with ELDIS Pardubice, s.r.o. arising from a loan.
- The Company records an agreement with Prague Fertility Centre s.r.o. arising from a loan.
- The Company records an agreement with CZECH DEFENCE SYSTEMS a.s. arising from a loan.
- The Company records an agreement with Slovak Training Academy a.s. arising from a loan.
- The Company records agreements with 14. OKTOBAR d.o.o. Kruševac arising from loans.
- The Company records an agreement with CSGM a.s. arising from a loan.
- The Company records an agreement with TATRA DEFENCE VEHICLE a.s. arising from a loan.
- The Company records agreements with GERLENAIR a.s. arising from loans.
- The Company records an agreement with CSGM a.s. arising from the provision of treasury services.
- The Company records an agreement with GERLENAIR a.s. arising from the provision of treasury services.
- The Company records agreements with LAIRAN SPV a.s. arising from loans.
- The Company records an agreement with ENVERCOTE a.s. arising from the assumption of debts and liabilities.
- The Company records agreements with MSM GROUP a.s. arising from loans.
- The Company records agreements with CS SOFT a.s. arising from loans.
- The Company records an agreement with RELAZA SPV a.s. arising from a loan.
- The Company records an agreement with VÍTKOVICE MACHINERY TRADE a.s. arising from a loan.
- The Company records agreements with CZECHOSLOVAK EXPORT a.s. arising from loans.
- The Company records an agreement with TABLON SPV a.s. arising from a loan.
- The Company records an agreement with NIKA Development a.s. arising from a loan.
- The Company records agreements with TATRA TRUCKS a.s. arising from loans.
- The Company records an agreement with REALID SPV a.s. arising from a loan.
- The Company records an agreement with TECHPARK Hradubická a.s. arising from a loan.
- The Company records an agreement with RUMPETA a.s. arising from a loan.
- The Company records an agreement with CSG DEFENCE a.s. arising from the provision of treasury services.
- The Company records an agreement with KONVERTIAL SPV a.s. arising from a loan.
- The Company records an agreement with MSM holding, s.r.o. arising from sublicensing.
- The Company records an agreement with CSG RAIL a.s. arising from an additional equity contribution.
- The Company records an agreement with AVIA Motors s.r.o. arising from the set-off of receivables.
- The Company records an agreement with CSG INDUSTRY a.s. arising from the set-off of receivables.
- The Company records an agreement with GACEL Holding s.r.o. arising from the provision of treasury services.
- The Company records an agreement with DAKO-CZ MACHINERY, a.s. arising from the provision of treasury services.
- The Company records an agreement with MADE CS a.s. arising from an additional equity contribution.

- The Company records an agreement with VORNEA SPV a.s. arising from an additional equity contribution.
- The Company records an agreement with HTH land a.s. arising from an additional equity contribution.
- The Company records an agreement with GERLENAIR a.s. arising from the set-off of mutual receivables.
- The Company records an agreement with KARBOX Holding s.r.o. arising from an additional equity contribution.
- The Company records an agreement with CSG INDUSTRY a.s. arising from the set-off of mutual receivables.
- The Company records an agreement with KARMONIKA AERO a.s. arising from an additional equity contribution.
- The Company records an agreement with CSG DEFENCE a.s. arising from the set-off of mutual receivables.
- The Company records an agreement with ARMY TRADE a.s. arising from mutual receivables.
- The Company records an agreement with CSG DEFENCE a.s. arising from mutual receivables.
- The Company records an agreement with REAL TRADE PRAHA a.s. arising from a loan.
- The Company records an agreement with EXCALIBUR INTERNATIONAL a.s. arising from an additional equity contribution.
- The Company records agreements with CSG FIN a.s. arising from loans.
- The Company records an agreement with LAIRAN SPV a.s. arising from the provision of treasury services.
- The Company records an agreement with CSG RAIL a.s. arising from the provision of treasury services.
- The Company records an agreement with CSG FIN a.s. arising from the provision of treasury services.
- The Company records agreements with CSG RAIL a.s. arising from loans.
- The Company records an agreement with Slovak industry s.r.o. arising from the transfer and assignment of a borrowing and an additional equity contribution.
- The Company records an agreement with RUMPETA a.s. arising from an additional equity contribution.
- The Company records agreements with JOB AIR Technic a.s. arising from loans.
- The Company records an agreement with RELAZA SPV a.s. arising from the provision of treasury services.
- The Company records an agreement with CSG AEROSPACE a.s. arising from the provision of treasury services.
- The Company records an agreement with CSG HEALTH CARE a.s. arising from the provision of treasury services.
- The Company records an agreement with CZECH DEFENCE SYSTEMS a.s. arising from the provision of treasury services.
- The Company records an agreement with MSM EXPORT, s.r.o. arising from the provision of treasury services.
- The Company records an agreement with TECHNOLOGY CS a.s. arising from the provision of treasury services.
- The Company records an agreement with CSGM a.s. arising from handling personal data.

VI. Assessment of whether Detriment was Incurred by the Company and of its Compensation pursuant to Sections 71 and 72 of Act. No. 90/2021 Coll., on Business Corporations, as amended

The Company uses services and funding from the Related Parties in the normal course of its business.

The Company declares that in the respective reporting period, there was no influence on the conduct of the Company by an influential or a controlling entity that would have a decisive and/or material effect on the conduct of the Company to its detriment. The Company declares that all the actions described in Article IV of this Report on Relations were taken and the agreements described in Article V of this Report on Relations were entered into at arm's length conditions. The services provided and received under these agreements were also provided at arm's length conditions and no detriment was caused to the Company as a result of these actions, and therefore it is not necessary to assess its compensation pursuant to Sections 71 and 72 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended.

VII. Assessment of Advantages and Disadvantages Arising from the Relations between the Related Parties

The statutory body of the Company declares that, based on the assessment of the role of the Company vis-à-vis the controlling entity and entities controlled by the same controlling entity, the Company does not derive any special advantages and/or disadvantages from the relations between the Company and its controlling entity and/or entities controlled by the same controlling entity.

The Company's role vis-à-vis the controlling entity and entities controlled by the same controlling entity did not and does not represent any risk for the Company and therefore it is not necessary to state whether, in what manner and in what period the detriment has been or will be compensated pursuant to Sections 71 and 72 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended.

In Prague on 28 March 2023

David Chour
Vice-Chairperson of the Board
of Directors

Petr Formánek
Member of the Board
of Directors

Appendix No. 1

List of companies directly or indirectly controlled by the same controlling entity

Companies controlled by CZECHOSLOVAK GROUP a.s.

CZECHOSLOVAK GROUP a.s. directly or indirectly controls the below listed companies:

Business name	Corporate ID, file No. and registration court	Registered office	State of incorporation	Control	Note	Direct controlling entity
14. OKTOBAR d.o.o. Kruševac	21178772	Jasički put br. 2, 11104 Kruševac	Serbia	direct		CZECHOSLOVAK GROUP a.s.
ARMY TRADE a.s.	06123724, B 22516 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
AsterIVF s.r.o.	03648311, C 235869 (Municipal Court in Prague)	Sokolovská 810/304, Vysočany, 190 00 Prague 9	Czech Republic	indirect		Prague Fertility Centre s.r.o.
ATLAN GROUP, spol. s r.o.	35754222, Sro 13718/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
ATRAK a.s.	08208638, B 24436 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		TRADITION CS a.s.
AVIA AVIATION a.s.	04837924, B 26187 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		50% CZECHOSLOVAK GROUP a.s., 50% Scott & Hagget Czech
AVIA Electric a.s.	08735654, B 24931 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
AVIA Motors s.r.o.	27422356, C 112025 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
AVIEN, spol. s r.o.	47539682, C 19027 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Baschieri & Pellagri S.p.A.	00290260371	Via del Frullo 26, Castenaso	Italy	indirect	From 24 November 2022	Fiocchi Munizioni S.p.A.
BREVETI SPV a.s.	10743677, B 26239 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic		Until 1 July 2022	
C3F S.p.A.	12288070969	Via Rugabella 1, 20122 Milan	Italy	indirect	From 1 March 2022	LAIRAN SPV a.s.
CLEVELOPMENT SPV a.s.	17119952, B 27268 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CLS Polska SP z.o.o.	0000433767	ul. Królowej Marysieńki 50A, 02-954 Varšava	Poland	indirect	Shell company	Česká letecká servisní a.s.
CS SOFT a.s.	25781723, B 15253 (Municipal Court in Prague)	K letišti 1019/6, Ruzyně, 161 00 Prague 6	Czech Republic	indirect		TRADITION CS a.s.
CSG a.s.	11854855, B 26633 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG AEROSPACE a.s.	03312208, B 19923 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG DEAL a.s.	11858095, B 26641 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG DEFENCE a.s.	07333528, B 23675 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG EXPORT a.s.	06224971, B 22599 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG HEALTH CARE a.s.	09326073, B 25495 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		ENVERCOTE a.s.
CSG INDUSTRY a.s.	06015689, B 22298 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG Land System SK a.s.	52830381, Sa 10771/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		CSG Land Systems CZ a.s.
CSG Land Systems CZ a.s.	08584923, B 24764 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
CSG RAIL a.s.	08950181, B 25126 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CSG RECOVERY s.r.o.	09579036, C 338429 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSGM a.s.
CSG USA Inc.	117027146	14507 Kingsmill Way, Culpeper 22 701, Virginie	USA	indirect		EXCALIBUR INTERNATIONAL a.s.
CSGM a.s.	01384694, B 19596 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
CZECH CAMOUFLAGE SYSTEMS a.s.	06135013, B 22517 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG Land Systems CZ a.s.
CZECH DEFENCE SYSTEMS a.s.	24147133, B 17410 (Municipal Court in Prague)	Náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5	Czech Republic	indirect		CSG Land Systems CZ a.s.
CZECH MACHINERY GROUP B.V.	65442571	Kingsfordweg 151, 1043 GR Amsterdam	Netherlands	indirect	In liquidation from 1 Dec 2022	Slovak industry s.r.o.
CZECHOSLOVAK EXPORT a.s.	04986512, B 21489 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG EXPORT a.s.
CZECHOSLOVAKIA TRADE a.s.	50018175, B Sa 10724/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP, s.r.o.
Česká letecká servisní a.s.	25101137, B 4510 (Municipal Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	indirect		CSG AEROSPACE a.s.
DAKO-CZ MACHINERY, a.s.	10743952, B 11386 (Regional Court in Ostrava)	Matuškova 1929/10, Slezská Ostrava, 710 00 Ostrava	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ RE, s.r.o.	8741000, C 44950 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ SERVICE, s.r.o.	09243348, C 45951 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		DAKO-CZ, a.s.
DAKO-CZ, a.s.	46505091, B 668 (Regional Court in Hradec Králové)	Josefa Daňka 1956, 538 43 Třemošnice	Czech Republic	indirect		TRIBLAN a.s.
DEFENCE SYSTEMS a.s.	07333544, B 23691 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG DEFENCE a.s.
DEFENCE TRADE SLOVAKIA, s.r.o.	51087723, Sro 35274/R (District Court in Trenčín)	Kasárenská 8, 911 02 Trenčín	Slovak Republic	indirect	On 9 November 2022 – change of the business name – former ZTS METALURG špeciál, s.r.o. From 25 July 2022 fully consolidated, formerly an associate.	MSM LAND SYSTEMS s.r.o.
Development Přelouč s.r.o.	14267900, C 49100 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	indirect	From 17 February 2022	EXCALIBUR ARMY spol. s r.o.
EHC Service, s.r.o.	36507245, C 524 (District Court in Košice)	Košice 1094, 040 15 Košice – mestská časť Poľov	Slovak Republic	indirect		Slovak Training Academy
ELDIS PARDUBICE INDIA PRIVATE LIMITED	U31900HR2021FTC098031	C-73, Fourth Floor, Gali No.5, Amritpuri-b, 110065 Delhi	India	indirect		ELDIS Pardubice, s.r.o.
ELDIS Pardubice, s.r.o.	15050742, C 524 (Regional Court in Hradec Králové)	Dělnická 469, Pardubičky, 533 01 Pardubice	Czech Republic	indirect		CSG AEROSPACE a.s.

Business name	Corporate ID, file No. and registration court	Registered office	State of incorporation	Control	Note	Direct controlling entity
ELTON hodinářská, a.s.	25931474, B 2007 (Regional Court in Hradec Králové)	Náchodská 2105, 549 01 Nové Město nad Metují	Czech Republic	indirect		MADE CS a.s.
ENGINEERING SPV a.s.	06926827, B 23253 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00, Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
ENVERCOTE a.s.	09326928, B 25497 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
EUROPEAN AIR SERVICES s.r.o.	29131987, C 02310 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	indirect		CSG AEROSPACE a.s.
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	52014673, Sro 44919/V (District Court in Košice)	Košice 1094, 040 15 Košice – mestská časť Poľov	Slovak Republic	indirect		CSG AEROSPACE a.s.
EXCALIBUR ARMY HELLAS LTD	HE422321	Artemidos 5, 6020 Larnaca	Cyprus	indirect		EXCALIBUR ARMY spol. s r.o.
EXCALIBUR ARMY spol. s r.o.	64573877, C 41695 (Municipal Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	indirect		CSG Land Systems CZ a.s.
EXCALIBUR INTERNATIONAL a.s.	29289688, B 20148 (Municipal Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
EXCALIBUR INTERNATIONAL HU Kft.	01-09-327774	1011 Budapest, Fő utca 14-18.	Hungary	indirect		EXCALIBUR INTERNATIONAL a.s.
EXCALIBUR USA a.s.	04407571, B 20938 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
FABRICA DE MUNICIONES DE GRANADA S.L.	B88295209	CTRA De Murcia S/N, 181 82 El Fargue, Granada	Spain	indirect		MSM GROUP s.r.o.
FCC S.p.A.	10123620964	Corso Italia 22, Milan	Italy	indirect	From 24 November 2022	C3F S.p.A.
Fiocchi Munizioni S.p.A.	00810220137	Via Santa Barbara 4, 23900 Lecco	Italy	indirect	From 24 November 2022	FCC S.p.A.
Fiocchi of America Inc.	00250555	6930 North Freemont Road, 65721 Ozark, Missouri	USA	indirect	From 24 November 2022	Fiocchu Munizioni S.p.A.
Fiocchi UK Limited	06221537	Raddle Farm, Raddle Lane, Edingale, WS13 8XA Staffordchire	UK	indirect	From 24 November 2022	Fiocchu Munizioni S.p.A.
GACEL Holding s.r.o.	17076544, C 366227 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	From 25 April 2022	CSG DEFENCE a.s.
GAMA OCEL, spol. s r.o.	26295849, C 42332 (Regional Court in Brno)	Bratislavská 406/4, 69501 Hodonín	Czech Republic	indirect	From 25 August 2022	GACEL Holding s.r.o.
GERLENAIR a.s.	09326791, B 25496 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
HARVO SPV s.r.o.	14154013, C 88122 (Regional Court in Ostrava)	Olomoucká 1841/175, 785 01 Šternberk	Czech Republic	indirect	From 13 Jan 2022 until 28 Nov 2022	50% EXCALIBUR ARMY spol. s r.o., 50% STV INVEST a.s.
HELI COMPANY s.r.o.	36492124, Sro 14788/P (District Court in Prešov)	Vranovská 72, Prešov, PSČ 080 01	Slovak Republic	indirect		Slovak Training Academy, s.r.o.
HTH land a.s.	06143946, B 22493 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
INTEGRA CAPITAL a.s.	27528103, B 21504 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
JOB AIR Technic a.s.	27768872, B 3029 (Regional Court in Ostrava)	Gen. Fajtla 370, 742 51 Mošnov	Czech Republic	indirect		CSG AEROSPACE a.s.
KARBOX Holding s.r.o.	27601374, C 23915 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
KARBOX s.r.o.	26002370, C 19384 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	indirect		KARBOX Holding s.r.o.
KARMONIKA AERO a.s.	09588817, B 25734 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
KONVERTIAL SPV a.s.	09269649, B 25371 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	On 6 May 2022 – change of the business name – former TATRA a.s.	CZECHOSLOVAK GROUP a.s.
Kopřivnice Energy s.r.o.	05431905, C 63563 (Municipal Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	indirect		TATRA TRUCKS a.s.
LAIRAN SPV a.s.	14141663, B 26983 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	From 11 January 2022	RUMPETA a.s.
LIAZ TRUCKS a.s.	06710697, B 21657 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
LOSTR a.s.	05197104, B 21533 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Lyalvale Express Limited	03485334	Express Estate, Fisherwick Nr. Whittington, Lichfield, WS13 8XA Staffordchire	UK	indirect		Fiocchu Munizioni S.p.A.
MADE CS a.s.	05057779, B 23278 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
MERIT SPV a.s.	06977545, B 23278 (Municipal Court in Prague)	Pernerova 691/42, Karlín, 186 00 Prague 8,	Czech Republic	indirect		TRADITION CS a.s.
MSM - OPTICAL s.r.o.	52070972, Sro 37466/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
MSM EXPORT, s.r.o.	48006122, Sro 34344/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect	On 24 August 2022 – change of the business name – former MSM holding, s.r.o.	MSM GROUP s.r.o.
MSM GROUP s.r.o.	46553509, Sro 31197/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		CSG DEFENCE a.s.
MSM LAND SYSTEMS s.r.o.	36396711, Sro 34630/R (District Court in Trenčín)	Kasárenská 8, 911 05 Trenčín	Slovak Republic	indirect		CSG Land Systems CZ a.s.
MSM Martin, s.r.o.	36422991, Sro 30764/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
MSM Nováky a.s.	35820322, Sa 10564/R (District Court in Trenčín)	Duklianska 60, 972 71 Nováky	Slovak Republic	indirect	On 31 Dec 2022 – change of the business name to VOP Nováky, a.s.	CSG DEFENCE a.s.
MSM Services, s.r.o.	50926748, Sro 34828/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect	On 15 August 2022 – change of the business name – former Industry Defence, s.r.o.	CSG DEFENCE a.s.
NIKA Development a.s.	27528910, B 23310 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
PPS VEHICLES, s.r.o.	36032646, Sro 43004/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Czech Republic	indirect		MSM GROUP s.r.o.
Prague Fertility Centre s.r.o.	28956095, C 155686 (Municipal Court in Prague)	Sokolovská 810/304, Vysočany, 190 00 Prague 9	Czech Republic	indirect		CSG HEALTH CARE a.s.
PROGRESS SPV a.s.	06710875, B 23102 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
RADAS, s.r.o.	60732296, C 207402 (Municipal Court in Prague)	Valdštejnská 150/4, Malá Strana, 118 00 Prague 1	Czech Republic	indirect		CS SOFT a.s.
RADIATIK a.s.	02751402, B 19664 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
Real Info d.o.o. Kruševac	20877529	Jasički Put 2, 370 00 Kruševac	Serbia	indirect		14. OKTOBAR d.o.o. Kruševac

Business name	Corporate ID, file No. and registration court	Registered office	State of incorporation	Control	Note	Direct controlling entity
REAL TRADE PRAHA a.s.	25642740, B 1440 (Municipal Court in Prague)	Náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5	Czech Republic	indirect		CSG Land Systems CZ a.s.
REALID SPV a.s.	17119928, B 27266 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 6 May 2022	CZECHOSLOVAK GROUP a.s.
ReDat Recording, a.s.	05648114, B 26638 (Regional Court in Hradec Králové)	Pražská 341, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect		RETIA, a.s.
RELAZA SPV a.s.	17119928, B 27266 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 5 May 2022	CZECHOSLOVAK GROUP a.s.
RETIA Realitní s.r.o.	09850813, C 50446 (Regional Court in Hradec Králové)	Pražská 341, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect	Part of the group from 14 Nov 2022 until 1 Jan 2023. On 14 Nov 2022 – change of the business name – former BBRE Realitní Alfa s.r.o.	RETIA, a.s.
RETIA, a.s.	25251929, B 3523 (Regional Court in Hradec Králové)	Pražská 341, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect		TECHNOLOGY CS a.s.
RUMPETA a.s.	11858061, B 26638 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
SBS ZVS, s.r.o.	36306070, Sro 11273/R (District Court in Trenčín)	Štúrova 1, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		ZVS holding, a.s.
SHER Technologies a.s.	27528171, B 2669 (Regional Court in Hradec Králové)	Čepí č.p. 101, 533 32 Čepí	Czech Republic	indirect		CSG DEFENCE a.s.
Slovak Aviation Factory s.r.o.	50885201, Sro 34705/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
Slovak industry s.r.o.	51106957, Sro 35302/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
Slovak Training Academy, s.r.o.	47055952, Sro 30298/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		EUROPEAN AIR SERVICES SLOVAKIA s.r.o.
Sondany s.r.o.	04548418, C 249408 (Municipal Court in Prague)	Milady Horákové 386/63, Holešovice, 170 00 Prague 7	Czech Republic	indirect		Prague Fertility Centre s.r.o.
Space T a.s.	08655600, B 24808 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
STA TECHNOLOGY, s.r.o.	50479717, Sro 33646/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		Slovak Training Academy, s.r.o.
TABLON SPV a.s.	08950504, B 25371 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA a.s.	17120209, B 27271/MSPH (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA AVIATION a.s.	03999203, B 20535 (Municipal Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA DEFENCE PROJECTS s.r.o.	14316226, C 363750 (Municipal Court in Prague)	Sokolovská 675/9, 186 00 Prague 8	Czech Republic	indirect	From 8 March 2022	TATRA DEFENCE VEHICLE a.s.
TATRA DEFENCE SLOVAKIA s.r.o.	50755749, Sro 34330/R (District Court in Trenčín)	Kasárenská 8, 911 05 Trenčín	Slovak Republic	indirect		CSG Land Systems CZ a.s.
TATRA DEFENCE SYSTEMS s.r.o.	08993289, C 328828 (Municipal Court in Prague)	Sokolovská 675/9, Karlín, 186 00 Prague 8	Czech Republic	indirect		TATRA DEFENCE VEHICLE a.s.
TATRA DEFENCE VEHICLE a.s.	24152269, B 17463 (Municipal Court in Prague)	Kodaňská 521/57, Vršovice, 101 00 Prague 10	Czech Republic	indirect		CSG Land Systems CZ a.s.
TATRA ENERGY s.r.o.	14364255, C 88795 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.
TATRA EXPORT s.r.o.	27388816, C 29456 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.
TATRA MANUFACTURE a.s.	05127394, B 21580 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TATRA METALURGIE a.s.	03667952, B 10641 (Regional Court in Ostrava)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		TATRA TRUCKS a.s.
TATRA Slovensko spol. s r.o.	31364578, Sro 13124/B (District Court in Bratislava I)	Vajnorská 171/A, 831 04 Bratislava	Slovak Republic	indirect		TATRA TRUCKS a.s.
TATRA TRUCKS a.s.	01482840, B 10443 (Municipal Court in Prague)	Areál Tatry 1450/1, 742 21 Kopřivnice	Czech Republic	indirect		35% PROMET TOOLS a.s., 65% NIKA Development a.s.
TATRA TRUCKS GULF COMMERCIAL BROKERS L.L.C.	351853	Khalifa Bin Zayed The First Street, Abu Dhabi	United Arab Emirates	indirect		TATRA TRUCKS a.s.
TATRA TRUCKS INDIA PRIVATE LIMITED	U35900DL2016FTC289353	B-6 Flat No 102, Kailash Colony, New Delhi, Delhi 110048	India	indirect		TATRA TRUCKS a.s.
TATRA VOSTOK, OOO	11477468055910	Armjanskij pereulok., d. 1/8, str. 3, Moskva, 101000	Russian Federation	indirect		TATRA TRUCKS a.s.
TATRABRAS LTDA	38045562000124	BR-376, KM 503, AVENIDA TATRA, PONTA GROSSA, PARANÁ	Brazil	indirect		TATRA TRUCKS a.s.
TECHNOLOGY CS a.s.	05774888, B 22200 (Municipal Court in Prague)	Na Poříčí 1017/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
TECHPARK Hradubická a.s.	27519546, B 2620 (Regional Court in Hradec Králové)	Čepí č.p. 101, 533 32 Čepí	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
TRADITION CS a.s.	06079598, B 22466 (Municipal Court in Prague)	Na Poříčí 1071/17, 110 00 Prague 1	Czech Republic	indirect		CSG AEROSPACE a.s.
TRANSELCO CZ s.r.o.	25733117, C 47575 (Regional Court in Hradec Králové)	U Vápenky 562, 538 43 Třemošnice	Czech Republic	indirect		DAKO-CZ, a.s.
TRIBLAN a.s.	09237321, B 25379 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect		CSG RAIL a.s.
TRUCK SERVICE GROUP s.r.o.	60110759, C 5438 (Regional Court in Hradec Králové)	Tovární 1553, 535 01 Přelouč	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
UpVision Defence s.r.o	07723997, C 306321 (Municipal Court in Prague)	Na příkopě 1096/19, 110 00 Prague 1	Czech Republic	indirect	From 30 September 2022	UpVision s.r.o.
UpVision s.r.o.	28443748, C 141923 (Municipal Court in Prague)	Klikatá 18, 158 00 Prague 5	Czech Republic	indirect	From 30 September 2022	TRADITION CS a.s.
Virte, a.s.	35917491, Sa 10739/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
VMT Trade, s.r.o.	50927477, Sro 40688/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		50% MSM GROUP s.r.o., 50% NHNN, s.r.o.
VORNEA SPV s.r.o.	06981119, C 291189 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		CZECHOSLOVAK GROUP a.s.
VÝVOJ Martin, a.s.	36381829, Sa 10119/L (District Court in Žilina)	Komenského 19, Martin 036 01	Slovak Republic	indirect		MSM GROUP s.r.o.
ZVS-Armory, s.r.o.	46100466, Sro 32061/R (District Court in Trenčín)	Priemyselná 7, 971 01 Prievidza	Slovak Republic	indirect	Until 30 December 2022	MSM GROUP s.r.o.
ZVS holding, a.s.	36305600, Sa 10152/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.
ZVS IMPEX, akciová spoločnosť	36302848, Sa 10104/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		MSM GROUP s.r.o.

Companies with Mr Michal Strnad as the controlling entity

Mr Michal Strnad directly or indirectly controls the below listed persons:

Business name	Corporate ID, file No. and registration court	Registered office	State of incorporation	Control	Note	Direct controlling entity
ABLESTAR a.s.	09237488, B 25381 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 10 June 2020	Michal Strnad
ALTIOR RE a.s.	14004283, B 26813 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 24 May 2022	Michal Strnad
ARMY SPV a.s.	06861202, B 23219 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 26 October 2022	Michal Strnad
AURUM DEFENCE a.s.	17120349, B 27272 (Municipal Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 6 May 2022	Michal Strnad
Banoss s.r.o.	28848373, C 30778 (Regional Court in Hradec Králové)	Smilova 386, Zelené Předměstí, 530 02 Pardubice	Czech Republic	indirect	From 20 February 2021	CASERMANIX s.r.o.
BatteryCells a.s.	06861041, B 23216 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 14 February 2018	Michal Strnad
CASERMANIX s.r.o.	01618377, B 209337 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 20 August 2013	Michal Strnad
Cognus Solutions, s.r.o.	02845474, C 224442 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	From 28 November 2017	PROJECT SPV a.s.
CSG AUTOMOTIVE a.s.	07880316, B 24189 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 8 February 2019	DEVELOP SPV a.s.
CSG FIN a.s.	14141442, B 26982 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 11 January 2022	Michal Strnad
DEFENCE SPV a.s.	06861318, B 23220 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 14 February 2018	Michal Strnad
DEVELOP SPV a.s.	06594786, B 22989 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 13 November 2017	Michal Strnad
GoBuzz SICAV, a.s.	17208971, B 27344 (Municipal Court in Prague)	Hvězdova 1716/2b, Nusle, 140 00 Prague 4	Czech Republic	direct	From 7 September 2022	Michal Strnad
Gourmand Praha s.r.o.	27179826, C 102360 (Municipal Court in Prague)	Libušská 11/216, Prague 4	Czech Republic	direct	From 17 February 2022	Michal Strnad
HELA GROUP s.r.o.	24256382, C 197399 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	From 11 March 2013	Michal Strnad
INDUSTRY INNOVATION a.s.	01771892, B 19432 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INDUSTRY SPV a.s.	06185878, B 22602 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INDUSTRY SPV SK s.r.o.	54247829, Sro 42910/R (District Court in Trenčín)	Štúrova 925/27, 018 41 Dubnica nad Váhom	Slovak Republic	indirect		INDUSTRY SPV a.s.
INDUSTRYIN a.s.	05595240, B 21960 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
INNOVATION CS a.s.	01852515, B 22092 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
OF1, s.r.o.	09607862, C 338882 (Municipal Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	indirect	From 22 November 2022	INDUSTRY SPV a.s.
PALATUA a.s.	17834422, B 27813 (Municipal Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	From 14 December 2022	Michal Strnad
PLATINUM DEFENCE a.s.	17120080, B 27270 (Municipal Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 6 May 2022	Michal Strnad
PROJECT SPV a.s.	06185771, B 22601 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město 110 00 Prague 1	Czech Republic	direct		Michal Strnad
RIOLA SPV a.s.	14141159, B 26981 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	indirect	From 11 January 2022 Direct control until 7 July 2022	GoBuzz SICAV, a.s.
SYNERGY CS a.s.	06072585, B 22465 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
TALASIUS a.s.	17834643, B 27814 (Municipal Court in Prague)	Mladoboleslavská 1081, Kbely, 197 00 Prague 9	Czech Republic	direct	From 14 December 2022	Michal Strnad
TESLA CS a.s.	13982656, B 26799 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
TESLA RADARS a.s.	06861083, B 23217 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad
TITANIUM DEFENCE a.s	17120021, B 27269 (Municipal Court in Prague)	Opletalova 1015/55, Nové Město, 110 00 Prague 1	Czech Republic	direct	From 6 May 2022	Michal Strnad
VELOGRES SPV a.s.	10743901, B 26241 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		HELA GROUP s.r.o.
YTARA SPV a.s.	11858087, B 26640 (Municipal Court in Prague)	Na Poříčí 1071/17, Nové Město, 110 00 Prague 1	Czech Republic	direct		Michal Strnad

Independent Auditor's Report

To the Shareholder of CZECHOSLOVAK GROUP a.s.

Having its registered office at:
Pernerova 691/42, Karlín, 186 00 Prague 8

"The report below represents the auditor's report that relates solely and exclusively to the official Annual Report prepared in the XHTML format."

Deloitte.

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Audit Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CZECHOSLOVAK GROUP a.s. and its subsidiaries (hereinafter also the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as of 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the group of CZECHOSLOVAK GROUP a.s. as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Existence of revenues and revenue recognition date	
The key audit matter is the Group's revenues (Note 6 to the consolidated financial statements). Revenues are a significant indicator in evaluating the Group's performance. Because the Group generates revenues from various types of activities, including construction contracts, on various markets and under various conditions, the existence of revenues and the revenue recognition date correctness represent a risk for the audit of the Group. Principally the recognition of revenue on construction contracts is based on a high degree of judgement applied by the Group.	In addressing this key audit matter we performed a combination of tests of internal controls and substantive testing. — We performed a substantive test of specific revenue transactions on a sample basis. — We tested in detail whether revenue was recognised in the relevant reporting periods and whether revenue was not misstated through reporting in an incorrect period. — On a sample basis, we selected invoices recorded around the year-end and based on supporting documents related to these invoices we assessed if the revenue was recorded in the correct period. — We tested receivables by sending year-end confirmation letters to selected customers and compared the amounts confirmed by the customers with the balance of receivables reported by the Group. — We performed analytical tests of significant revenue accounts and compared the expected amount of revenues on the basis of our calculation with the amount presented in the accounting records. In the case of revenues from contracts with customers and construction contracts, we performed the following audit procedures: — We critically assessed the methodology applied by the Group to determine the stage of completion and subsequently, for the calculation of revenue on the basis of this stage of completion, compliance of the methodology with IFRS 15 Revenue from Contracts with Customers. — We evaluated the estimates made by the Group in respect of total and future expected costs and revenues on construction contracts. — We tested in detail the recognition of revenue on a sample of construction contracts, primarily focused on checking the used input data from contracts with customers and financial plans of construction contracts; in addition, we reviewed the calculation for mathematical correctness. — We cooperated with our internal IFRS 15 experts to assess and test the most significant contracts. — We assessed the adequacy of disclosures made in the Notes to the Consolidated Financial Statements with regard to revenues recognised in terms of the stage of completion of construction contracts and judgement applied.

Key Audit Matter	How it was addressed
Correctness and completeness of the presentation of financial liabilities (bank loans and bonds issued)	
The correctness and completion of the presentation of financial liabilities (Note 19 to the consolidated financial statements) represent a key audit matter since the Group uses significant external financing in the form of issued bonds and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Group has a material impact on the presentation of financial liabilities in the consolidated financial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: — We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Group in the accounting records. — We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. — With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the consolidated financial statements. — We agreed the year-end balance of issued bonds to the confirmation from the issue manager. — We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). — We tested the mathematical correctness of the calculation of the covenants. — We assessed compliance with the relevant covenants. — We assessed the adequacy of disclosures made in the Notes to the Consolidated Financial Statements with regard to issued bonds and external funding in the form of bank loans.

Key Audit Matter	How it was addressed
Correctness and completeness of the presentation of loss allowances for trade and other receivables	
Determining the correctness and completeness of the presentation of loss allowances for trade and other receivables in accordance with IFRS 9 Financial Instruments (Notes 20 and 32 to the consolidated financial statements) is a key audit matter. The correct value of the allowance affects the information presented in the consolidated financial statements and has an impact on the Group's consolidated financial position as of 31 December 2022 and its consolidated financial performance for the year then ended.	In addressing this key audit matter, we performed a combination of tests of internal controls and substantive testing. — We tested the design and implementation of the key internal controls relating to the determination of loss allowances for trade and other receivables. — We critically assessed the methodology used by the Group to determine loss allowances based on compliance with IFRS 9 Financial Instruments. — We performed a substantive test on a selected sample of specific transactions. — We performed an assessment of the estimates made by the Group in relation to the recoverability of past due receivables. — We regularly discussed the determination of the correctness and completeness of loss allowances for trade and other receivables with the Group's management, including the impact on the Group's consolidated financial position as of 31 December 2022 and its consolidated financial performance for the year then ended.

Key Audit Matter	How it was addressed
Correctness and completeness of the presentation of the acquisition of a subsidiary	
The proper presentation of the acquisition of the controlling interest in the Fiocchi Group (Note 5 A) IV. to the consolidated financial statements) represents an important matter for the Group's audit. As this extensive acquisition occurred before the end of 2022, the Group's assets and liabilities were not measured at fair value as of the date of preparation of the consolidated financial statements. The assets and liabilities of the acquired companies are measured at provisional value, based on the accounting records of the acquired companies. Consequently, the acquisition accounting process was not completed in 2022, and the remeasurement to fair value will occur within 12 months from the acquisition date, including the measurement of the non-controlling interest.	Our audit procedures, included, among others: — We gained an understanding of the entire transaction, including the legal analysis of the purchase contract. — We communicated with the component auditor in Italy regarding the audit of the Fiocchi Group. — We agreed on the purchase price for the supporting documentation. — In collaboration with an internal expert, we assessed the correct application of IFRS 3 Business Combinations and, in particular, the assumption of non-termination of the acquisition accounting. — We assessed the correctness of the calculation and recognition of goodwill. — From the Group's management, we obtained the business plans of the Fiocchi Group for the coming period and assessed the existence of indicators of potential impairment of the goodwill recognised. — We assessed the adequacy of the information provided in the Notes to the Financial Statements regarding this transaction.

Other Information in the Consolidated Annual Report

In compliance with Section 2 b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of CZECHOSLOVAK GROUP a.s. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as of 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CZECHOSLOVAK GROUP a.s. as of 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Valuation of investments in subsidiaries and associates	
The correct valuation of investments in subsidiaries and associates (Note 12 to the financial statements) represents a key audit matter. The Company reports investments in a number of companies that carry the risk of the value of the investment being greater than its fair value. The correct valuation requires a significant degree of judgement and estimates dependent upon, e.g. future demand or successful implementation of restructuring plans.	Our audit procedures included, among others: — We tested the design and implementation of key internal controls regarding the measurement of the value of interests in subsidiaries using the impairment indicator calculations and DCF models. — We critically assessed the indicators of potential impairment of investments in subsidiaries which may trigger the recognition of loss allowances. For this purpose, we primarily: — Compared the valuation of the investment with the amount of equity of the subsidiary at the balance sheet date; — Assessed the profitability of investments for the relevant reporting period; — Determined the amount of dividends and profit shares paid out. — Where the indicator of potential impairment of investments in subsidiaries was identified, we focused on: — Inquiring the company's management and the reasons that led to the recognition or non-recognition of an allowance; — Assessing financial plans prepared by the subsidiaries; and — Assessing whether the allowance is recognised appropriately and in a sufficient amount. — We assessed the adequacy of disclosures made in the Notes to the Financial Statements with regard to material investments and their financial position and profitability.

Key Audit Matter	How it was addressed
Correctness and completion of the presentation of financial liabilities (bank loans and bonds issued)	
The correctness and completion of the presentation of financial liabilities (Notes 20 and 21 to the financial statements) represent a key audit matter since the Company uses significant external financing in the form of issued bonds, borrowings and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Company has a material impact on the presentation of financial liabilities in thefinancial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: — We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Company in the accounting records. — We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. — With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the financial statements. — We agreed the year-end balance of issued bonds to the confirmation from the issue manager. — We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). — We tested the mathematical correctness — of the calculation of the covenants. — We assessed compliance with the relevant covenants. — We assessed the adequacy of disclosures made in the Notes to the Consolidated Financial Statements with regard to issued bonds and external funding in the form of bank loans.

Key Audit Matter	How it was addressed
Correctness and completeness of the presentation of loss allowances for trade and other receivables	
Determining the correctness and completeness of the presentation of loss allowances for trade and other receivables in accordance with IFRS 9 Financial Instruments (Notes 15 and 29 to the financial statements) is a key audit matter. The correct value of the loss allowance affects the information presented in the financial statements and has an impact on the Group's financial position as of 31 December 2022 and its financial performance for the year then ended.	In addressing this key audit matter, we performed a combination of tests of internal controls and substantive testing: — We tested the design and implementation of the key internal controls relating to the determination of loss allowances for trade and other receivables. — We critically assessed the methodology used by the Group to determine loss allowances based on compliance with IFRS 9 Financial Instruments. — We performed a substantive test on a selected sample of specific transactions. — We performed an assessment of the estimates made by the Group in relation to the recoverability of past due receivables. — We regularly discussed the determination of the correctness and completeness of loss allowances for trade and other receivables with the Group's management, including the impact on the Group's financial position as of 31 December 2022 and its financial performance for the year then ended.

Other Information in the Annual Report

In compliance with Section 2 B) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 20 June 2022 and our uninterrupted engagement has lasted for five years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25 April 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. We provided the following non-audit services to Company which are not disclosed in the financial statements.

- R&D consulting for the component CS SOFT a.s.
- Tax advisory (Tax Navigator) for the component CSGM a.s.
- Tax advisory (Tax Navigator) for CZECHOSLOVAK GROUP a.s.
- Agreed-upon procedures according to ISRS 4400 for the component EXCALIBUR ARMY spol. s r.o.
- Agreed-upon procedures according to ISRS 4400 for the component TATRA DEFENCE VEHICLE a.s.
- Agreed-upon procedures according to ISRS 4400 for the component TATRA TRUCKS a.s.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements and the consolidated financial statements included in the Consolidated Annual Report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements and the consolidated financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements and the consolidated financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal controls relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the Consolidated Annual Report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements and the consolidated financial statements included in the Consolidated Annual Report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal controls relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether:

- The sets of financial statements included in the Consolidated Annual Report were prepared in the valid XHTML format;
- The data in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
  - XBRL mark-up language was used;
  - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
  - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements and the consolidated financial statements for the year ended 31 December 2022 included in the Consolidated Annual Report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 25 April 2023

Audit firm:

Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:

David Batal
registration no. 2147

Annual Financial Report 2022

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Prague 2023


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